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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on the 15th March, 1976:—

BILL No. 41 OF 1976

A Bill to give effect to the financial proposals of the Central Government for the financial year 1976-77.

BE it enacted by Parliament in the Twenty-seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Finance Act, 1976.

(*2*) Save as otherwise provided in this Act, sections 2 to 30 and section 43 shall be deemed to have come into force on the 1st day of April, 1976.

CHAPTER II

RATES OF INCOME-TAX

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (*2*), (*3*) and (*4*), for the assessment year commencing on the 1st day of April, 1976, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(*a*) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(*b*) in the cases to which Paragraphs E and F of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(*2*) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income, in addition to total income, and the total income exceeds eight thousand rupees, then,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (*b*) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(*b*) the income-tax chargeable shall be calculated as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(*iii*) the amount by which income-tax determined in accordance with sub-clause (*i*) exceeds the amount of income-tax determined in accordance with sub-clause (*ii*) shall be the income-tax chargeable in respect of the total income.

(*3*) Where in the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, the total income includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated— 31 of 1956.

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its total income which consists of profits and gains from life insurance business: and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income.

(*4*) In cases to which the provisions of Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter or section, as the case may be, 43 of 1961.

(5) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(6) Subject to the provisions of sub-section (7), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in cases to which the provisions of Chapter XII or section 164 of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be:

Provided further that an assessee, being a company, may, in lieu of payment of surcharge on income-tax at the rate specified in Paragraph E of Part III of the First Schedule, make a deposit under the scheme framed under sub-section (8) before the last instalment of advance tax is due in its case, and where it does so,—

(*i*) in a case where the amount of the deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, the amount of surcharge on income-tax payable by it shall be *nil*;

(*ii*) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, the amount of surcharge on income-tax payable by it shall stand reduced by the amount of the deposit; and

(*iii*) any order made by the Income-tax Officer under section 210 of the Income-tax Act and the notice of demand issued in pursuance thereof shall have effect as if the amount of surcharge on income-tax specified therein had been reduced to *nil* or, as the case may be, by the amount of the deposit.

(7) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds eight thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax"

payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (*b*) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(*b*) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I, or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income;

(*iii*) the amount by which income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (*i*) exceeds the amount of income-tax or "advance tax" determined in accordance with sub-clause (*ii*) shall be the income-tax or "advance tax" in respect of the total income.

(*8*) Where an assessee, being a company, makes, during the financial year commencing on the 1st day of April, 1976, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 under any such scheme as the Central Government may, by notification in the Official Gazette, frame in this behalf, then, the surcharge on income-tax payable by the company for the assessment year commencing on the 1st day of April, 1977,— 18 of 1964.

(*i*) in a case where the amount of deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, shall be *nil*; and

(*ii*) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(*9*) For the purposes of this section and the First Schedule,—

(*a*) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1976, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(*c*) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent, of such total income;

(*d*) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(*e*) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(*f*) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*g*) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

Amendment of section 2.

3. In the Income-tax Act, in section 2, with effect from the 1st day of June, 1976,—

(*a*) after clause (28), the following clause shall be inserted, namely:—

'(*28A*) "interest" means interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes

any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised;';

(*b*) in clause (*37A*), in sub-clause (*i*),—

(*i*) for the words and figures "in a cases not falling under section 164", the words, figures and letters "in a case not falling under section 115A or section 115B or section 164" shall be substituted;

(*ii*) for the words and figures "in a case falling under section 164, the rate specified in that section", the words, figures and letters "in a case falling under section 115A or section 115B or section 164, the rate or rates specified in section 115A or section 115B or, as the case may be, section 164" shall be substituted.

Amendment of section 9.

4. In the Income-tax Act, in section 9, in sub-section (*1*), with effect from the 1st day of June, 1976,—

(*a*) in clause (*i*), the words "or through or from any money lent at interest and brought into India in cash or in kind" shall be omitted;

(*b*) after clause (*iv*), the following clauses shall be inserted, namely:—

'(*v*) income by way of interest payable by—

(*a*) the Government; or

(*b*) a person who is a resident, except where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India; or

(c) a person who is a non-resident, where the interest is payable in respect of any debt incurred, or moneys borrowed and used, for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India;

(*vi*) income by way of royalty payable by—

(*a*) the Government; or

(*b*) a person who is a resident, except where the royalty is payable in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India; or

(c) a person who is a non-resident, where the royalty is payable in respect of any right, property or information used

or services utilised for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

Explanation.--For the purposes of this clause, "royalty" means consideration (including any lump sum consideration but excluding any consideration which would be the income of the recipient chargeable under the head "Capital gains") for—

(*i*) the transfer of all or any rights (including the granting of a licence) in respect of a patent, invention, model, design, secret formula or process or trade mark or similar property;

(*ii*) the imparting of any information concerning the working of, or the use of, a patent, invention, model, design, secret formula or process or trade mark or similar property;

(*iii*) the use of any patent, invention, model, design, secret formula, or process or trade mark or similar property;

(*iv*) the imparting of any information concerning technical, industrial, commercial or scientific knowledge, experience or skill;

(*v*) the transfer of all or any rights (including the granting of a licence) in respect of any copyright, literary, artistic or scientific work including films or video tapes for use in connection with television or tapes for use in connection with radio broadcasting, but not including consideration for the sale, distribution or exhibition of cinematographic films; or

(*vi*) the rendering of any services in connection with the activities referred to in sub-clauses (*i*) to (*v*);

(*vii*) income by way of fees for technical services payable by—

(*a*) the Governent; or

(*b*) a person who is a resident, except where the fees are payable in respect of services utilised in a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India; or

(*c*) a person who is a non-resident, where the fees are payable in respect of services utilised in a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

Explanation.—For the purposes of this clause, "fees for technical services" means any consideration (including any

lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly or like project undertaken by the recipient or consideration which would be income of the recipient chargeable under the head "Salaries".'.

Amendment of section 10.

5. In section 10 of the Income-tax Act,—

(*a*) in clause (6), after sub-clause (*x*), the following sub-clause shall be inserted, namely:—

"(*xi*) the remuneration received by him as an employee of the Government of a foreign State during his stay in India in connection with his training in any establishment or office of, or in any undertaking owned by,—

(*i*) the Government; or

(*ii*) any company in which the entire paid-up share capital is held by the Central Government, or any State Government or Governments, or partly by the Central Government and partly by one or more State Governments; or

(*iii*) any company which is a subsidiary of a company referred to in item (*ii*); or

(*iv*) any corporation established by or under a Central, State or Provincial Act; or

(*v*) any society registered under the Societies Registration Act, 1860 or under any other corresponding law for the time being in force and wholly financed by the Central Government, or any State Government or State Governments, or partly by the Central Government and partly by one or more State Governments;"; 14 of 1860.

(*b*) in clause (*15*), after item (*e*) of sub-clause (*iv*), the following item shall be inserted with effect from the 1st day of June, 1976, namely:—

'(f) by an industrial undertaking in India on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government having regard to the need for industrial development in India, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.

Explanation.—For the purposes of this item, the expression "foreign currency" shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973;'. 46 of 1973.

Amendment of section 13.

6. In section 13 of the Income-tax Act, in sub-section (5) [as directed to be inserted by clause (*iii*) of section 5 of the Taxation Laws (Amendment) Act, 1975], for clause (*iii*), the following clause shall be substituted with effect from the 1st day of April, 1977, namely:—

41 of 1975.

"(*iii*) deposit in any amount with the State Bank of India constituted under the State Bank of India Act, 1955 or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 or any nationalised bank, that is to say, any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;".

23 of 1955.

38 of 1959.

5 of 1970.

Amendment of section 32.

7. In section 32 of the Income-tax Act, in sub-section (*1*),—

(*1*) in clause (*iv*), for the words "seven thousand five hundred rupees", the words "ten thousand rupees" shall be substituted with effect from the 1st day of April, 1977;

(*2*) in clause (*vi*),—

(*a*) for the words "any one or more of the articles or things specified in the list in the Ninth Schedule", the words, figures and brackets "any one or more of the articles or things specified in items 1 to 20 (both inclusive) in the list in the Ninth Schedule" shall be substituted;

(*b*) in the second proviso,—

(*i*) in clause (*a*), the word "and" shall be omitted;

(*ii*) in clause (*b*), the word "and" shall be inserted at the end;

(*iii*) after clause (*b*), the following clause shall be inserted, namely:—

"(*c*) any ship or aircraft acquired after the 31st day of March, 1976 or any machinery or plant installed after that date.".

Insertion of new section 32A.

8. After section 32 of the Income-tax Act, the following section shall be inserted, namely:—

Investment allowance.

'32A. (*1*) In respect of a ship or an aircraft or machinery or plant specified in sub-section (*2*), which is owned by the assessee and is wholly used for the purposes of the business carried on by him, there shall, in accordance with and subject to the provisions of this section, be allowed a deduction, in respect of the previous year in which the ship or aircraft was acquired or the machinery or plant was installed or, if the ship, aircraft, machinery or plant is first put to use in the immediately succeeding previous year, then, in respect of that previous year, of a sum by way of investment allowance equal to twenty-five per cent. of the actual cost of the ship, aircraft, machinery or plant to the assessee:

Provided that no deduction shall be allowed under this section in respect of—

(*a*) any machinery or plant installed in any office premises or any residential accommodation, including any accommodation in the nature of guest-house;

(*b*) any office appliances or road transport vehicles;

(*c*) any ship, machinery or plant in respect of which the deduction by way of development rebate is allowable under section 33; and

(*d*) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise) in computing the income chargeable under the head "Profits and gains of business or profession" of any one previous year.

(*2*) The ship or aircraft or machinery or plant referred to in sub-section (*1*) shall be the following, namely:—

(*a*) a new ship or new aircraft acquired after the 31st day of March, 1976 by an assessee engaged in the business of operation of ships or aircraft;

(*b*) any new machinery or plant installed after the 31st day of March, 1976—

(*i*) for the purposes of business of generation or distribution of electricity or any other form of power; or

(*ii*) for the purposes of business of construction, manufacture or production of any one or more of the articles or things specified in the list in the Ninth Schedule; or

(*iii*) in a small-scale industrial undertaking for the purposes of business of manufacture or production of any other articles or things.

Explanation.—For the purposes of this sub-section and sub-section (*4*),—

(*1*) "new ship" or "new aircraft" or "new machinery or plant" shall have the same meanings as in the *Explanation* to clause (*vi*) of sub-section (*1*) of section 32;

(*2*) an industrial undertaking shall be deemed to be a small-scale industrial undertaking, if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed ten lakh rupees; and for this purpose the value of any machinery or plant shall be,—

(*a*) in the case of any machinery or plant owned by the assessee, the actual cost thereof to the assessee; and

(*b*) in the case of any machinery or plant hired by the assessee, the actual cost thereof as in the case of the owner of such machinery or plant.

(*3*) Where the total income of the assessee assessable for the assessment year relevant to the previous year in which the ship or aircraft was acquired or the machinery or plant was installed, or, as the case may be, the immediately succeeding

previous year [the total income for this purpose being computed after deduction of the allowances under section 33 and section 33A, but without making any deduction under sub-section (*1*) of this section or any deduction under Chapter VIA] is *nil* or is less than the full amount of the investment allowance,—

(*i*) the sum to be allowed by way of investment allowance for that assessment year under sub-section (*1*) shall be only such amount as is sufficient to reduce the said total income to *nil;* and

(*ii*) the amount of the investment allowance, to the extent to which it has not been allowed as aforesaid, shall be carried forward to the following assessment year, and the investment allowance to be allowed for the following assessment year shall be such amount as is sufficient to reduce the toal income of the assessee assessable for that assessment year, computed in the manner aforesaid, to *nil*, and the balance of the investment allowance, if any, still outstanding shall be carried forward to the following assessment year and so on, so, however, that no portion of the investment allowance shall be carried forward for more than eight assessment years immediately succeeding the assessment year relevant to the previous year in which the ship or aircraft was acquired or the machinery or plant was installed or, as the case may be, the immediately succeeding previous year.

Explanation.—Where for any assessment year, investment allowance is to be allowed in accordance with the provisions of this sub-section in respect of any ship or aircraft acquired or any machiney or plant installed in more than one previous year, and the total income of the assessee assessable for that assessment year [the total income for this purpose being computed after deduction of the allowances under section 33 and section 33A, but without making any deduction under sub-section (1) of this section or any deduction under Chapter VIA] is less than the aggregate of the amounts due to be allowed in respect of the assets aforesaid for that assessment year, the following procedure shall be followed, namely:—

(*a*) the allowance under clause (*ii*) shall be made before any allowance under clause (*i*) is made; and

(*b*) where an allowance has to be made under clause (*ii*) in respect of amounts carried forward from more than one assessment year, the amount carried forward from an earlier assessment year shall be allowed before any amount carried forward from a later assessment year.

(*4*) The deduction under sub-section (1) shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the particulars prescribed in this behalf have been furnished by the assessee in respect of the ship or aircraft or machinery or plant;

(*ii*) an amount equal to seventy-five per cent. of the investment allowance to be actually allowed is debited to the

profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the "Investment Allowance Reserve Account") to be utilised—

(*a*) for the purposes of acquiring, before the expiry of a period of ten years next following the previous year in which the ship or aircraft was acquired or the machinery or plant was installed, a new ship or a new aircraft or new machinery or plant [other than machinery or plant of the nature referred to in clauses (*a*), (*b*) and (*d*) of the proviso to sub-section (1)] for the purposes of the business of the undertaking; and

(*b*) until the acquisition of a new ship or a new aircraft or new machinery or plant as foresaid, for the purposes of the business of the undertaking other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India:

Provided that this clause shall have effect in respect of a ship as if for the word "seventy-five", the word "fifty" had been substituted.

Explanation.—Where the amount debited to the profit and loss account and credited to the Investment Allowance Reserve Account under this sub-section is not less than the amount required to be so credited on the basis of the amount of deduction in respect of investment allowance claimed in the return made by the assessee under section 139, but a higher deduction in respect of the investment allowance is admissible on the basis of the total income as proposed to be computed by the Income-tax Officer under section 143, the Income-tax Officer shall, by notice in writing in this behalf, allow the assessee an opportunity to credit within the time specified in the notice or within such further time as the Income-tax Officer may allow, a further amount to the Investment Allowance Reserve Account out of the profits and gains of the previous year in which such notice is served on the assessee or in the immediately preceding previous year, if the accounts for that year have not been made up; and, if the assessee credits any further amount to such account within the time aforesaid, the amount so credited shall be deemed to have been credited to the Investment Allowance Reserve Account of the previous year in which the deduction is admissible and such amount shall not be taken into account in determining the adequacy of the reserve required to be created by the assessee in respect of the previous year in which such further credit is made:

Provided that such opportunity shall not be allowed by the Income-tax Officer in a case where the difference in the total income as proposed to be computed by him and the total income as returned by the assessee arises out of the application of the proviso to sub-section (1) of section 145 or sub-section (2) of that

section or the omission by the assessee to disclose his income fully and truly.

(5) Any allowance made under this section in respect of any ship, aircraft, machinery or plant shall be deemed to have been wrongly made for the purposes of this Act—

(*a*) if the ship, aircraft, machinery or plant is sold or otherwise transferred by the assessee to any person at any time before the expiry of eight years from the end of the previous year in which it was acquired or installed; or

(*b*) if at any time before the expiry of ten years from the end of the previous year in which the ship or aircraft was acquired or the machinery or plant was installed, the assessee does not utilise the amount credited to the reserve account under sub-section (*4*) for the purposes of acquiring a new ship or a new aircraft or new machinery or plant [other than machinery or plant of the nature referred to in clauses (*a*), (*b*) and (*d*) of the proviso to sub-section (*1*)] for the purposes of the business of the undertaking; or

(*c*) if at any time before the expiry of the ten years aforesaid, the assessee utilises the amount credited to the reserve account under sub-section (*4*) for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any assets outside India or for any other purpose which is not a purpose of the business of the undertaking,

and the provisions of sub-section (*4A*) of section 155 shall apply accordingly:

Provided that nothing in clause (*a*) shall apply—

(*i*) where the ship, aircraft, machinery or plant is sold or otherwise transferred by the assessee to the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; or

1 of 1956.

(*ii*) where the sale or transfer of the ship, aircraft, machinery or plant is made in connection with the amalgamation or succession, referred to in sub-section (*6*) or sub-section (*7*).

(*6*) Where, in a scheme of amalgamation, the amalgamating company sells or otherwise transfers to the amalgamated company any ship, aircraft, machinery or plant, in respect of which investment allowance has been allowed to the amalgamating company under sub-section (*1*),—

(*a*) the amalgamated company shall continue to fulfil the conditions mentioned in sub-section (*4*) in respect of the reserve created by the amalgamating company and in respect of the period within which such ship, aircraft, machinery or

plant shall not be sold or otherwise transferred and in default of any of these conditions, the provisions of sub-section (4A) of section 155, shall apply to the amalgamated company as they would have applied to the amalgamating company had it committed the default; and

(*b*) the balance of investment allowance, if any still outstanding to the amalgamating company in respect of such ship, aircraft, machinery or plant, shall be allowed to the amalgamated company in accordance with the provisions of sub-section (*3*), so, however, that the total period for which the balance of investment allowance shall be carried forward in the assessments of the amalgamating company and the amalgamated company shall not exceed the period of eight years specified in sub-section (*3*) and the amalgamated company shall be treated as the assessee in respect of such ship, aircraft, machinery or plant for the purposes of this section.

(*7*) Where a firm is succeeded to by a company in the business carried on by it as a result of which the firm sells or otherwise transfers to the company any ship, aircraft, machinery or plant, the provisions of clauses (*a*) and (*b*) of sub-section (*6*) shall, so far as may be, apply to the firm and the company.

Explanation.—The provisions of this sub-section shall apply only where—

(*i*) all the property of the firm relating to the business immediately before the succession becomes the property of the company;

(*ii*) all the liabilities of the firm relating to the business immediately before the succession become the liabilities of the company; and

(*iii*) all the shareholders of the company were partners of the firm immediately before the succession.

(*8*) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, direct that the deduction allowable under this section shall not be allowed in respect of any ship or aircraft acquired or any machinery or plant installed after such date, not being earlier than three years from the date of such notification, as may be specified therein.

(*9*) For the removal of doubts, it is hereby declared that the deduction under sub-section (*1*) shall not be denied by reason only that the amount debited to the profit and loss account of the relevant previous year and credited to the Investment Allowance Reserve Account exceeds the amount of the profit of such previous year (as arrived at without making the debit aforesaid), in accordance with the profit and loss account.'.

Amendment of section 37.

9. In section 37 of the Income-tax Act,—

(*a*) in sub-section (*2A*),—

(*i*) in clause (*i*), for the words, figures and letter "section 33 or section 33A", the words, figures and leters "section 32A or section 33 or section 33A" shall be substituted;

(*ii*) in the *Explanation*, the words, brackets, figure and letter "and sub-section (*2B*)" shall be omitted with effect from the 1st day of April, 1977;

(*b*) sub-section (*2B*) shall be omitted with effect from the 1st day of April, 1977.

Insertion of new sections 44C and 44D. Deduction of head office expenditure in the case of non-residents.

10. In the Income-tax Act, in Chapter IV-D, after section 44B, the following sections shall be inserted, with effect from the 1st day of June, 1976, namely:—

'44C. Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, no allowance shall be made, in computing the income chargeable under the head "Profits and gains of business or profession", in respect of so much of the expenditure in the nature of head office expenditure as is in excess of the amount computed as hereunder, namely:—

(*a*) an amount equal to five per cent. of the adjusted total income; or

(*b*) an amount equal to the average head office expenditure; or

(*c*) the amount of so much of the expenditure in the nature of head office expenditure incurred by the assessee as is attributable to the business or profession of the assessee in India,

whichever is the least:

Provided that in a case where the adjusted total income of the assessee is a loss, the amount under clause (*a*) shall be computed at the rate of five per cent. of the average adjusted total income of the assessee.

Explanation.—For the purposes of this section,—

(*i*) "adjusted total income" means the total income computed in accordance with the provisions of this Act, without giving effect to the allowance referred to in sub-section (*2*) of section 32 or the deduction referred to in section 32A or section 33 or section 33A or the first proviso to clause (*ix*) of sub-section (*1*) of section 36 or any loss carried forward under sub-section (*1*) of section 72 or sub-section (*2*) of section 73 or sub-section (*1*) of section 74 or sub-section (*3*) of section 74A or the deduction under Chapter VIA;

(*ii*) "average adjusted total income" means,—

(*a*) in a case where the total income of the assessee is assessable for each of the three assessment years immediately preceding the relevant assessment year, one-third of

the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid three assessment years;

(*b*) in a case where the total income of the assessee is assessable only for two of the aforesaid three assessment years, one-half of the aggregate amount of the adjusted total income in respect of the previous years relevant to the aforesaid two assessment years;

(*c*) in a case where the total income of the assessee is assessable only for one of the aforesaid three assessment years, the amount of the adjusted total income in respect of the previous year relevant to that assessment year;

(*iii*) "average head office expenditure" means,—

(*a*) in a case where any expenditure in the nature of head office expenditure has been allowed as a deduction in computing the income of the assessee chargeable under the head "Profits and gains of business or profession" in respect of each of the three previous years relevant to the assessment years commencing on the 1st day of April, 1974, the 1st day of April, 1975 and the 1st day of April, 1976, one-third of the aggregate amount of the expenditure so allowed;

(*b*) in a case where such expenditure has been so allowed only in respect of two of the aforesaid three previous years, one-half of the aggregate amount of the expenditure so allowed;

(*c*) in a case where such expenditure has been so allowed only in respect of one of the aforesaid three previous years, the amount of the expenditure so allowed;

(*iv*) "head office expenditure" means executive and general administration expenditure incurred by the assessee outside India, including expenditure incurred in respect of—

(*a*) rent, rates, taxes, repairs or insurance of any premises outside India used for the purposes of the business or profession;

(*b*) salary, wages, annuity, pension, fees, bonus, commission, gratuity, perquisites or profits in lieu of or in addition to salary, whether paid or allowed to any employee or other person employed in, or managing the affairs of, any office outside India;

(*c*) travelling by any employee or other person employed in, or managing the affairs of, any office outside India; and

(*d*) such other matters connected with executive and general administration as may be prescribed.

Special provisions for computing income by way of royalties, etc., in the case of foreign companies.

44D. Notwithstanding anything to the contrary contained in sections 28 to 44C, in the case of an assessee, being a foreign company,—

(*a*) the deductions admissible under the said sections in computing the income by way of royalty or fees for technical services received from an Indian concern in pursuance of an agreement made by the foreign company with the Indian concern before the 1st day of April, 1976, shall not exceed in the aggregate twenty per cent. of the gross amount of such royalty or fees;

(*b*) no deduction in respect of any expenditure or allowance shall be allowed under any of the said sections in computing the income by way of royalty or fees for technical services received from an Indian concern in pursuance of an agreement made by the foreign company with the Indian concern after the 31st day of March, 1976.

Explanation.—For the purposes of this section,—

(*a*) "fees for technical services" shall have the same meaning as in the *Explanation* to clause (*vii*) of sub-section (*1*) of section 9;

(*b*) "foreign company" shall have the same meaning as in section 80B

(*c*) "royalty" shall have the same meaning as in the *Explanation* to clause (*vi*) of sub-section (*1*) of section 9.'.

Amendment of section 47.

11. In section 47 of the Income-tax Act, after clause (*viii*), the following clause shall be inserted with effect from the 1st day of April, 1977, namely:—

'(*ix*) any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, to the Government or a University or the National Museum, National Art Gallery, National Archives or any such other public museum or institution as may be notified by the Central Government in the Official Gazette to be of national importance or to be of renown throughout any State or States.

Explanation.—For the purposes of this clause, "University" means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 to be a University for the purposes of that Act.'.

3 of 1956.

Omission of section 54C.

12. Section 54C of the Income-tax Act shall be omitted.

Amendment of section 57.

13. In section 57 of the Income-tax Act, the following proviso and *Explanation* shall be inserted at the end, with effect from the 1st day of June, 1976, namely:—

'Provided that nothing contained in clause (*i*) or clause (*iii*) shall apply in computing the income by way of dividends in the case of an assessee, being a foreign company.

Explanation.—For the purposes of this section and section 58, "foreign company" shall have the same meaning as in section 80B.'.

Amendment of section 58.

14. In section 58 of the Income-tax Act, after sub-section (*2*), the following sub-section shall be inserted, with effect from the 1st day of June, 1976, namely:—

'(*3*) In the case of an assessee, being a foreign company, the provisions of section 44D shall, so far as may be, apply in computing the income chargeable under the head "Income from other sources" as they apply in computing the income chargeable under the head "Profits and gains of business or profession".'.

Amendment of section 80A.

15. In section 80A of the Income-tax Act, after sub-section (*3*), the following sub-section shall be inserted with effect from the 1st day of April, 1977, namely:—

"(*4*) Notwithstanding anything contained in sub-section (*1*), no deduction under section 80G or section 80GG or section 80HH or section 80J or section 80L or section 80QQ shall be allowed in computing the total income of an assessee, being a Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year exceeds the maximum amount not chargeable to tax.".

Amendment of section 80C.

16. In section 80C of the Income-tax Act, in clause (*d*) of sub-section (2), for the words "eight thousand rupees", the words "ten thousand rupees" shall be substituted with effect from the 1st day of April, 1977.

Amendment of section 80G.

17. In section 80G of the Income-tax Act,—

(*a*) in clause (*a*) of sub-section (*2*), with effect from the 1st day of April, 1977,—

(*i*) in sub-clause (*v*), the words "or" shall be inserted at the end;

(*ii*) after sub-clause (*v*), the following sub-clause shall be inserted, namely:—

"(*vi*) any authority referred to in clause (*20A*) of section 10;";

(*b*) in sub-section (*4*), for the words, brackets and figures "sub-clauses (*iv*) and (*v*)", the words, brackets and figures "sub-clauses (*iv*), (*v*) and (*vi*)" shall be substituted with effect from the 1st day of April, 1977;

(*c*) after *Explanation* 4, the following *Explanation* shall be inserted, namely:—

"*Explanation* 5.—For the removal of doubts, it is hereby declared that no deduction shall be allowed under this section in respect of any donation unless such donation is of a sum of money ".

Amendment of section 80M.

18. In section 80M of the Income-tax Act, for sub-section (*1*), the following sub-section shall be substituted with effect from the 1st day of April, 1977, namely:—

"(*1*) Where the gross total income of an assessee, being a domestic company, includes any income by way of dividends from a domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such income by way of dividends of an amount equal to—

(*a*) In respect of such income by way of dividends from a company formed and registered under the Companies Act, 1956 after the 28th day of February, 1975 and engaged exclusively or almost exclusively in the manufacture or production of any one or more of the articles or things specified in items 11 and 18, item 23 (excluding refractories) and item 24 in the list in the Ninth Schedule.	the whole of such income;
(*b*) in respect of such income by way of dividends other than the dividends referred to in clause (*a*).	sixty per cent of such income.",

1 of 1956.

Amendment of section 115.

19. In section 115 of the Income-tax Act, in clause (*i*) with effect from the 1st day of April, 1977,—

(*a*) in sub-clause (*a*) (*1*), for the words "forty-seven per cent.", the words "forty per cent." shall be substituted;

(*b*) in sub-clause (*a*) (*2*), for the words "fifty-five per cent.", the words "fifty per cent." shall be substituted; and

(*c*) in sub-clause (*b*), for the words "forty-five per cent.", the words "forty per cent." shall be substituted.

Insertion of new sections 115A and 115B.

20. In the Income-tax Act, after section 115, the following sections shall be inserted with effect from the 1st day of June, 1976, namely:—

Tax on dividends, royalty and technical service fees in the case of foreign companies.

'115A. Where the total income of an assessee, being a foreign company, includes any income by way of—

(*a*) dividends; or

(*b*) royalty or fees for technical services received from an Indian concern in pursuance of an agreement made by the foreign company with the Indian concern after the 31st day of March, 1976 and approved by the Central Government,

the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the amount of income by way of dividends, if any, included in the total income, at the rate of twenty-five per cent.;

(*ii*) the amount of income tax calculated on the income by way of royalty, if any, included in the total income—

(*1*) on so much of the amount of such income as consists of lump-sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process or trade mark or similar property, at the rate of twenty per cent.;

(*2*) on the balance of such income, if any, at the rate of forty per cent.;

(*iii*) the amount of income-tax calculated on the income by way of fees for technical services, if any, included in the total income, at the rate of forty per cent.; and

(*iv*) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of income referred to in clause (*a*) and clause (*b*).

Explanation.—For the purposes of this section,—

(*a*) "fees for technical services" shall have the same meaning as in the *Explanation* to clause (*vii*) of sub-section (*1*) of section 9;

(*b*) "foreign company" shall have the same meaning as in section 80B;

(*c*) "royalty" shall have the same meaning as in the *Explanation* to clause (*vi*) of sub-section (*1*) of section 9.

Tax on profits and gains of life insurance business.

115B. Where the total income of an assessee includes any profits and gains from life insurance business, the income-tax payable shall be the aggregate of—

(*i*) the amount of income-tax calculated on the amount of profits and gains of the life insurance business included in the total income, at the rate of twelve and one-half per cent.; and

(*ii*) the amount of income-tax with which the assessee would have been chargeable had the total income of the assessee been reduced by the amount of profits and gains of the life insurance business.'.

Amendment of section 155.

21. In section 155 of the Income-tax Act, after sub-section (*4*), the the following sub-section shall be inserted, namely:—

'(*4A*) Where an allowance by way of investment allowance has been made wholly or partly to an assessee in respect of a ship or an

aircraft or any machinery or plant in any assessment year under section 32A and subsequently—

(*a*) at any time before the expiry of eight years from the end of the previous year in which the ship or aircraft was acquired or the machinery or plant was installed, the ship, aircraft, machinery or plant is sold or otherwise transferred by the assessee to any person other than the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956, or in connection with any amalgamation or succession referred to in sub-section (6) or sub-section (7) of section 32A; or

1 of 1956.

(*b*) at any time before the expiry of ten years from the end of the previous year in which the ship or aircraft was acquired or the machinery or plant was installed, the assessee does not utilise the amount credited to the reserve account under sub-section (4) of section 32A for the purposes of acquiring a new ship or a new aircraft or new machinery or plant [other than machinery or plant of the nature referred to in clauses (*a*), (*b*) and (*d*) of the proviso to sub-section (*1*) of section 32A] for the purposes of the business of the undertaking; or

(*c*) at any time before the expiry of the ten years referred to in clause (*b*), the assessee utilises the amount credited to the reserve account under sub-section (4) of section 32A—

(*i*) for distribution by way of dividends or profits; or

(*ii*) for remittance outside India as profits or for the creation of any asset outside India; or

(*iii*) for any other purpose which is not a purpose of the business of the undertaking,

the investment allowance originally allowed shall be deemed to have been wrongly allowed, and the Income-tax Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned,—

(*i*) in a case referred to in clause (*a*), from the end of the previous year in which the sale or other transfer took place;

(*ii*) in a case referred to in clause (*b*), from the end of the ten years referred to in that clause;

(*iii*) in a case referred to in clause (*c*), from the end of the previous year in which the amount was utilised.

Explanation.—For the purposes of clause (*b*), "new ship" or "new aircraft" or "new machinery or plant" shall have the same meanings as in the *Explanation* to clause (*vi*) of sub-section (*1*) of section 32.'.

Amendment of section 195.

22. In the Income-tax Act, in section 195, in sub-section (2), for the words "other than interest including interest on securities", the words "other than interest on securities" shall be substituted with effect from the 1st day of June, 1976.

Amendment of First Schedule.

23. In the First Schedule to the Income-tax Act, with effect from the 1st day of April, 1977,—

(a) for rule 2, the following rule shall be substituted, namely:—

Computation of profits of life insurance business.

"2. The profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938, in respect of the last inter-valuation period ending before the commencement of the assessment year, so as to exclude from it any surplus or deficit included therein which was made in any earlier inter-valuation period."; 4 of 1938.

(b) rule 3 shall be omitted;

(c) in rule 7, in sub-rule (1), clauses (i) and (iii) shall be omitted.

Amendment of Eighth Schedule.

24. In the Eighth Schedule to the Income-tax Act,—

(a) against *Bihar* in column (1), for the existing areas specified in column (2), the following shall be substituted, namely:—

"The districts of Aurangabad, Begusarai, Bhagalpur, Bhojpur, Darbhanga, East Champaran, Gaya, Madhubani, Monghyr, Muzaffarpur, Nalanda, Nawadah, Palamau, Purnea, Saharsa, Samastipur, Santal Parganas, Saran, Sitamarhi, Siwan, Vaishali and West Champaran.";

(b) against *Punjab* in column (1), for the existing areas specified in column (2), the following shall be substituted, namely:—

"The district of Bhatinda; so much of the district of Faridkot as formed part of the district of Bhatinda on the 31st day of July, 1972; the districts of Ferozepur, Gurdaspur, Hoshiarpur and Sangrur.";

(c) after *Rajasthan* in column (1) and the entries relating thereto, the following shall be inserted, namely:—

"*Sikkim* The whole of the State.";

(d) against *Uttar Pradesh* in column (1), for the existing areas specified in column (2), the following shall be substituted, namely:—

"The districts of Almora, Azamgarh, Baharaich, Ballia, Banda, Bara Banki, Basti, Budaun, Bulandshahr, Chamoli, Deoria, Etah, Etawah, Faizabad, Farrukhabad, Fatehpur, Garhwal; Ghazipur, Gonda, Hamirpur, Hardoi, Jalaun, Jaunpur, Jhansi, Mainpuri, Mathura, Moradabad, Pilibhit, Pithoragarh, Pratapgarh, Rae Bareli, Rampur, Shahjahanpur, Sitapur, Sultanpur, Tehri-Garhwal, Unnao and Uttarkashi.";

(*e*) for the *Explanation*, the following *Explanation* shall be substituted, namely:—

"*Explanation*.—Save as otherwise expressly provided, reference to any district in this Schedule shall be construed,—

(*i*) in the case of the districts of Aurangabad, Begusarai, Bhojpur, Gaya, Monghyr, Nalanda and Nawadah in the State of Bihar; the district of Ferozepur in the State of Punjab; and the district of Rampur in the State of Uttar Pradesh, as a reference to the areas comprised in the district concerned on the 15th day of March, 1976, being the date of introduction of the Finance Bill, 1976 in the House of the People; and

(*ii*) in the case of any other district, as a reference to the areas comprised in that district on the 3rd day of September, 1973, being the date of introduction of the Direct Taxes (Amendment) Bill, 1973 in the House of the People.".

Amendment of Ninth Schedule.

25. In the Ninth Schedule to the Income-tax Act, after item 24 and before the *Explanation*, the following items shall be inserted, namely:—

"25. Carbon and graphite products.

26. Inorganic heavy chemicals (other than soda ash and caustic soda mentioned in items 12 and 13 respectively).

27. Organic heavy chemicals.

28. Synthetic rubber and rubber chemicals (including carbon black).

29. Industrial explosives.

30. Basic drugs.

31. Industrial sewing machines.

32. Finished leather and leather goods (including footwear made wholly or mainly of leather).".

Consequential amendments to certain sections.

26. The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely:—

(*a*) in section 45, the figures and letter ", 54C" shall be omitted;

(*b*) in clause (*iv*) of sub-section (*2*) of section 141A, for the words, brackets and figures "the deduction referred to in clause (*ii*) of sub-section (*2*) of section 33", the words, brackets, figures and letter "the deduction referred to in clause (*ii*) of sub-section (*3*) of section 32A or clause (*ii*) of sub-section (*2*) of section 33" shall be substituted;

(*c*) in sub-clause (*iv*) of clause (*b*) of sub-section (*1*) of section 143, for the words, brackets and figures "the deduction referred to in clause (*ii*) of sub-section (*2*) of section 33" the words, brackets, figures and letter "the deduction referred to in clause (*ii*) of sub-section (*3*) of section 32A or clause (*ii*) of sub-section (*2*) of section 33" shall be substituted;

(*d*) in clause (*i*) of sub-section (*1*) of section 160, the words, brackets and figure "clause (*i*) of" shall be omitted with effect from the 1st day of June, 1976;

(*e*) in the Ninth Schedule, for the brackets, words and figures "[*See* section 32(*1*)(*vi*)]', the brackets, words, figures and letters "[*See* section 32(*1*)(*vi*) and section 32A (*2*) (*b*)(*ii*)]" shall be substituted.

Wealth-tax

Amendment of Act 27 of 1957.

27. In the Wealth-tax Act, 1957,—

(*1*) in section 3, for the words at the rate or rates specified in the Schedule", the words and figure "at the rate or rates specified in Schedule I" shall be substituted with effect from the 1st day of April, 1977;

(*2*) in section 5, in sub-section (*1*),—

(*a*) after clause (*ivb*), the following clause shall be inserted with effect from the 1st day of April, 1977, namely:—

'(*ivc*) one or more dwelling units (each such dwelling unit having a plinth area not exceeding eighty square metres) and the land appurtenant thereto, belonging to the assessee, where the construction of such dwelling unit or units is begun on or after the 1st day of April, 1976:

Provided that this exemption shall apply in respect of any dwelling unit or units and the land appurtenant thereto only for a period of five successive assessment years next following the date on which the construction of such dwelling unit or units is completed.

Explanation.—For the purposes of this clause,—

(*a*) "dwelling unit" means a unit of accommodation used solely for the purpose of residence;

(*b*) "land appurtenant", in relation to any dwelling unit or units comprising a building, means,—

(*i*) in an area where there is any law in force providing for the minimum extent of land contiguous to the land occupied by any building to be kept as open space for the enjoyment of such building, the minimum extent of land contiguous to the land occupied by the building comprising such dwelling unit or units required to be kept as open space under such law;

(*ii*) in any other area, an extent of land not exceeding one-third of the plinth area of the building comprising the dwelling unit or units at the ground level contiguous to the land occupied by such building;';

(*b*) after clause (*x*), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1975, namely:—

"(*xa*) the amount of any fee due to the assessee in respect of services rendered by him as a legal practitioner within the meaning of the Advocates Act, 1961;";

25 of 1961.

(*c*) after clause (*xxx*), the following clause shall be inserted, namely:—

'(*xxxa*) the value of any building belonging to the assessee, where the building is used solely for the purpose of residence of persons employed by the assessee in any plantation or industrial undertaking belonging to the assessee and the income of each such person chargeable under the head "Salaries" under the Income-tax Act is ten thousand rupees or less;';

(*d*) in the *Explanation* to clause (*xxxi*),—

(*i*) for the words "this clause", the words, brackets, figures and letter "clause (*xxxa*), this clause" shall be substituted;

(*ii*) for the words, brackets and figures "and clause (*xxxii*)", the words, brackets and figures "clause (*xxxii*) and clause (*xxxiv*)" shall be substituted with effect from the 1st day of April, 1977;

(*e*) after clause (*xxxii*), the following clauses shall be inserted with effect from the 1st day of April, 1977, namely:—

"(*xxxiii*) in the case of an assessee, being a person of Indian origin who was ordinarily residing in a foreign country and who, on leaving such country, has returned to India with the intention of permanently residing therein, moneys and the value of assets brought by him into India and the value of the assets acquired by him out of such moneys:

Provided that this exemption shall apply only for a period of seven successive assessment years commencing with the assessment year next following the date on which such person returned to India.

Explanation.—A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents, was born in undivided India;

(*xxxiv*) in the case of an individual, being a citizen of India, who is not resident in India during the year ending on the valuation date, the value of any equity shares in any company of the type referred to in clause (*d*) of section 46 which is engaged in the business of manufacture or production of any one or more of the articles or things specified in Schedule II or which is certified by the prescribed authority to have undertaken the export of such percentage of its total

production as may be specified in this behalf by the prescribed authority, where such shares form part of the initial issue of the equity share capital made by the company after the 31st day of March, 1976 or where such shares form part of an issue of equity share capital which is certified by the prescribed authority to have been made by the company after the 31st day of March, 1976 for the purposes of expansion or diversification of its industrial undertaking.

Explanation.—An individual shall be deemed to be not resident in India during the year ending on the valuation date if in respect of that year the individual is not resident in India within the meaning of the Income-tax Act.";

(3) in section 7,—

(*a*) in sub-section (*3*), for the words "the valuation date", the words, brackets and figure "the valuation date, or, in the case of an asset being a house referred to in sub-section (4), the valuation date referred to in that sub-section" shall be substituted;

(*b*) after sub-section (*3*), the following sub-section shall be inserted, namely:—

'(4) Notwithstanding anything contained in sub-section (*1*), the value of a house belonging to the assessee and exclusively used by him for residential purposes throughout the period of twelve months immediately preceding the valuation date shall be taken to be the price which, in the opinion of the Wealth-tax Officer, it would fetch if sold in the open market on the valuation date next following the date on which he became the owner of the house, or on the valuation date relevant to the assessment year commencing on the 1st day of April, 1971, whichever valuation date is later:

Provided that where more than one house belonging to the assessee is exclusively used by him for residential purposes, the provisions of this sub-section shall apply only in respect of one of such houses which the assessee may, at his option, specify in this behalf in the return of net wealth.

Explanation.—For the purposes of this sub-section—

(*i*) where the house has been constructed by the assessee, he shall be deemed to have become the owner thereof on the date on which the construction of such house was completed;

(*ii*) "house" includes a part of a house, being an independent residential unit';

(4) in section 21, in sub-section (4), for the words "the Schedule", at both the places where they occur, the word and figure "Schedule I" shall be substituted with effect from the 1st day of April, 1977;

(5) in section 21A, in clause (*a*), for the words "the Schedule" the word and figure "Schedule I" shall be substituted with effect from the 1st day of April, 1977;

(6) the Schedule shall be numbered as Schedule I with effect from the 1st day of April, 1977 and with effect from that date—

(a) in the Schedule as so numbered, for Part I, the following Part shall be substituted, namely:—

"PART I

(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (2) of this Paragraph applies,—

	Rate of tax
(a) where the net wealth does not exceed Rs. 5,00,000.	½ per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000.	Rs. 2,500 *plus* 1½ per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(c) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000.	Rs. 10,000 *plus* 2 per cent. of the amount by which the net wealth exceeds Rs. 10,00,000;
(d) where the net wealth exceeds Rs. 15,00,000.	Rs. 20,000 *plus* 2½ per cent. of the amount by which the net wealth exceeds Rs. 15,00,000

Provided that for the purposes of this item,—

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.

(2) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 1,00,000,—

	Rate of tax
(a) where the net wealth does not exceed Rs. 5,00,000.	1½ per cent. of the net wealth;
(b) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000.	Rs. 7,500 *plus* 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000;
(c) where the net wealth exceeds Rs. 10,00,000.	Rs. 17,500 *plus* 2½ per cent. of the amount by which the net wealth exceeds Rs. 10,00,000:

Provided that for the purposes of this item,—

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000;

(ii) the wealth-tax payable shall, in no case exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.";

(*b*) after the Schedule as so numbered, the following Schedule shall be inserted, namely:—

'SCHEDULE II

[*See* section 5(1) (*xxxiv*)]

LIST OF ARTICLES OR THINGS

1. Ferro alloys; steel castings and forgings; special steels; and non-ferrous metals and their alloys.

2. Boilers and Steam Generating Plants.

3. Prime Movers (other than Electrical Generators), being industrial turbines or internal combustion engines.

4. Equipment for transmission and distribution of electricity; electrical motors; electrical furnaces; X-ray equipment; and electronic components and equipment.

5. Mechanised sailing vessels up to 1000 DWT; ship ancillaries; and commercial vehicles.

6. Industrial machinery.

7. Machine tools.

8. Agricultural machinery, being tractors or power tillers.

9. Earth moving machinery.

10. Industrial instruments, being indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.

11. Scientific instruments.

12. Nitrogenous and phosphatic fertilisers falling under "(1) Inorganic fertilisers" mentioned under the heading "18. Fertilisers" in the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

13. Chemicals (other than fertilisers), namely:—

(1) Inorganic heavy chemicals.

(2) Organic heavy chemicals.

(3) Fine chemicals including photographic chemicals.

(4) Synthetic resins and plastics.

(5) Synthetic rubbers.

(6) Man-made fibres.

(7) Industrial explosives.

(8) Insecticides, fungicides, weedicides and the like.

(9) Synthetic detergents.

(10) Miscellaneous chemicals (for industrial use only).

14. Drugs and pharmaceuticals.

15. Paper and pulp including paper products.

16. Automobile tyres and tubes.

17. Plate glass.

18. Ceramics, being refractories or furnace lining bricks—acidic, basic and neutral.

19. Cement products, being portland cement or asbestos cement.'.

Gift-tax

28. In section 5 of the Gift-tax Act, 1958, in clause (*iv*) of sub-section (*1*), after the words "local authority", the words, brackets, figures and letter "or any authority referred to in clause (*20A*) of section 10 of the Income-tax Act" shall be inserted with effect from the 1st day of April, 1977. Amendment of Act 18 of 1958.

Surtax

29. In the Companies (Profits) Surtax Act, 1964,— Amendment of Act 7 of 1964.

(*a*) in section 2, in clause (8), for the words "ten per cent.", at both the places where they occur, the words "fifteen per cent." shall be substituted with effect from the 1st day of April, 1977;

(*b*) in the First Schedule, in rule 3, for the portion beginning with the words "by the aggregate of—" and ending with the brackets, figures and words "(*ii*) any expenditure", the words "by the amount of any expenditure" shall be substituted with effect from the 1st day of April, 1977;

(*c*) in the Second Schedule,—

(*i*) in rule 1—

(*1*) in clause (*ii*), for the words, brackets and figures "sub-section (*3*) of section 34", the words, brackets, figures and letter "sub-section (*4*) of section 32A, or sub-section (*3*) of section 34" shall be inserted with effect from the 1st day of April, 1977; and

(*2*) clauses (*iv*) and (*v*) shall be omitted with effect from the 1st day of April, 1977;

(*ii*) after rule 1, the following rule shall be inserted, and shall be deemed to have been inserted with effect from the 1st day of April, 1975, namely:—

'1A. Where a company has not made any credit in any account in its books as on the first day of the previous year relevant to the assessment year which is of the nature of item (*8*) or item (*9*) under the heading "CURRENT LIABILITIES AND PROVISIONS" in the column relating to "LIABILITIES" in the "FORM OF BALANCE-SHEET", given in Part I of Schedule VI to the Companies Act, 1956, or where the Income-tax Officer is of opinion that the amount credited in such account falls short of the amount which should have reasonably been credited by it, the amount of its capital as computed under rule 1 shall be reduced by the amount which has not been so credited or, as the case may be, the amount of such shortfall. 1 of 1956.

Explanation.—For the purposes of this rule, the amount of credit which should have reasonably been made by a company in relation to any account of the nature of item (9) aforesaid, means the amount of dividend declared or paid by the company, on or after the first day of the previous year relevant to the assessment year, for the previous year immediately preceding the first mentioned previous year.';

(*iii*) in rule 2, in clause (*i*), the brackets, words and figures "[other than the debentures referred to in clause (*iv*) or moneys referred to in clause (*v*) of rule 1]" shall be omitted with effect from the 1st day of April, 1977;

(*iv*) in rule 3, for the words, brackets and figures "or issue of the debentures referred to in clause (*iv*), or borrowing of any moneys referred to in clause (*v*), of rule 1 or is reduced by any amount on account of reduction of paid-up share capital or redemption of such debentures or repayment of any such moneys,", the words "or is reduced by any amount on account of reduction of paid-up share capital," shall be substituted with effect from the 1st day of April, 1977.

Interest-tax

Amendment of Act 45 of 1974.

30. In section 2 of the Interest-tax Act, 1974, in clause (*7*), with effect from the 1st day of April, 1977,—

(*a*) in sub-clause (*i*), the word "and" shall be omitted;

(*b*) in sub-clause (*ii*), the word "and" shall be inserted at the end;

(*c*) after sub-clause (*ii*), the following sub-clause shall be inserted, namely:—

"(*iii*) interest on moneys lent for the creation of a capital asset in India where the agreement under which such moneys are lent provides for the repayment thereof during a period of not less than seven years;".

CHAPTER IV

INDIRECT TAXES

Amendment of Act 32 of 1934.

31. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Second Schedule

Auxiliary duties of customs.

32. (*1*) In the case of goods mentioned in the First Schedule to the Tariff Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act). 52 of 1962.

(*2*) Sub-section (*1*) shall cease to have effect after the 30th day of June, 1977, except as respects things done or omitted to be done before such cesser, and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of the Customs Act, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

Amendment of Act 1 of 1949.

33. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1976", the figures "1977" shall be substituted.

Amendment of Act 51 of 1975.

34. The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), shall be amended in the manner specified in the Third Schedule.

Amendment of Act 1 of 1944.

35. The Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), shall be amended in the manner specified in the Fourth Schedule.

Auxiliary duties of excise.

36. (1) In the case of goods mentioned in the First Schedule to the Central Excises Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of excise an amount equal to twenty per cent of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act.

(2) Sub-section (1) shall cease to have effect after the 30th day of June, 1977, except as respects things done or omitted to be done before such cesser, and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(3) The auxiliary duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act, or any other law for the time being in force.

(4) The auxiliary duties of excise leviable under sub-section (1) in the financial year 1975-76 shall be for the purposes of the Union and the proceeds thereof shall not be distributed among the States.

(5) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

Amendment of Act 58 of 1957.

37. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act), shall be amended in the manner specified in the Fifth Schedule.

Discontinuance of salt duty.

38. For the year beginning on the 1st day of April 1976, no duty under the Central Excises Act or the Tariff Act or the Customs Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

Amendment of Act 16 of 1955.

39. In the Medicinal and Toilet Preparations (Excise Duties) Act, 1955,—

(*a*) for the words "opium, Indian hemp or other narcotic drug or narcotic", wherever they occur, the words "narcotic drug or narcotic" shall be substituted;

(*b*) in section 2,—

(*i*) after clause (*a*), the following clauses shall be inserted, namely:—

'(*aa*) "coca derivative" means—

(*i*) crude cocaine, that is, any extract of coca leaf which can be used, directly or indirectly, for the manufacture of cocaine;

(*ii*) ecgonine, that is, laevo--ecgonine having the chemical formula $C_9H_{15}NO_3H_2O$, and all the derivatives of laevo-ecgonine from which it can be recovered; and

(*iii*) cocaine, that is, methyl-benzoyl-laevo-ecgonine having the chemical formula $H_{21}NO_4$ and its salts;

(*ab*) "coca leaf" means—

(*i*) the leaf and young twigs of any coca plant, that is, of the Erythroxylon coca (Lamk.) and the Erythroxylon novo-granatense (Hiern.) and their varieties, and of any other species of this genus which the Central Government may, by notification in the Official Gazette, declare to be coca plants for the purposes of this Act; and

(*ii*) any mixture thereof, with or without neutral materials;';

(*ii*) after clause (*b*), the following clause shall be inserted, namely:—

'(*bb*) "derivative of opium" means—

(*i*) medicinal opium, that is, opium which has undergone the processes necessary to adapt it for medicinal use;

(*ii*) prepared opium, that is, any product of opium obtained by any series of operations designed to transform opium into an extract suitable for smoking, and the dross or other residue remaining after opium is smoked;

(*iii*) morphine, that is, the principal alkaloid of opium having the chemical formula $C_{17}H_{19}NO_3$ and its salts, and its derivatives;';

(*iii*) for clause (*e*), the following clause shall be substituted, namely:—

'(*e*) "Indian hemp" means—

(*i*) the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant (Cannabis sativa L.), including all forms known as *bhang, siddhi* or *ganja*;

(*ii*) Charas, that is, the resin obtained from the Indian hemp plant, which has not been submitted to any manipulations other than those necessary for packing and transport;

(*iii*) any mixture, with or without neutral materials, of any of the above forms of Indian hemp or any drink prepared therefrom; and

(*iv*) any extract or tincture of any of the above forms of Indian hemp;';

(*iv*) for clause (*h*), the following clause shall be substituted, namely:—

'(*h*) "narcotic drug" or "narcotic" means a substance which is coca leaf, or coca derivative, or opium, or derivative of opium, or Indian hemp and shall include any other substance, capable of causing or producing in human beings dependence, tolerance and withdrawal syndromes and which the Central Government may, by notification in the Official Gazette, declare to be a narcotic drug or narcotic;';

(c) the Schedule shall be amended in the manner specified in the Sixth Schedule.

CHAPTER V

Miscellaneous

Amendment of Act 2 of 1899.

40. In the Indian Stamp Act, 1899, in Schedule I, in the column headed 'Proper Stamp-duty', with effect from the 1st day of June, 1976,—

(*a*) in article No. 37, for the words "Fifteen naye paise", the words "One rupee" shall be substituted;

(*b*) in article No. 52, for the words "Fifteen naye paise", the words "Thirty paise" shall be substituted;

(c) in article No. 53, for the words "Ten naye paise", the words "Twenty paise" shall be substituted.

Amendment of Act 31 of 1956.

41. After section 43 of the Life Insurance Corporation Act, 1956, the following section shall be inserted, with effect from the 1st day of June, 1976, namely:—

Deduction of income-tax not to be made on interest or dividend.

"43A. Notwithstanding anything contained in section 193 or section 194 of the Income-tax Act, 1961, no deduction of income-tax shall be made on any interest or dividend payable to the Corporation in respect of any securities or shares owned by it or in which it has full beneficial interest.".]

43 of 1961.

Amendment of Act 52 of 1963.

42. In section 32 of the Unit Trust of India Act, 1963, in clause (*b*) of sub-section (*1*), for sub-clause (*ii*), the following sub-clause shall be substituted with effect from the 1st day of April, 1977, namely:—

"(*ii*) a Hindu undivided family, not being a Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year exceeds the maximum amount not chargeable to income-tax under the Income-tax Act, 1961, or". 43 of 1961.

Amendment of Act 38 of 1974.

43. In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974,—

(*a*) in section 3, in sub-section (*1*), for the words, figures and letters "and the assessment year commencing on the 1st day of April, 1976.", the words, figures and letters ", the assessment year commencing on the 1st day of April, 1976 and the assessment year commencing on the 1st day of April, 1977." shall be substituted;

(*b*) in section 4, in sub-section (*1*), for the words "a compulsory deposit for that assessment year at the rates specified in the Schedule.", the following shall be substituted, namely:—

"a compulsory deposit,—

(*i*) for the assessment year commencing on the 1st day of April, 1975 and the assessment year commencing on the 1st day of April, 1976, at the rates specified in Paragraph A of the Schedule; and

(*ii*) for the assessment year commencing on the 1st day of April, 1977, at the rates specified in Paragraph B of the Schedule.";

(*c*) in the Schedule,—

(*i*) below the words "RATES OF COMPULSORY DEPOSIT", the word and letter "*Paragraph A*" shall be inserted; and

(*ii*) for the provisos, the following shall be substituted, namely:—

"*Paragraph B*

(1) Where the current income exceeds Rs. 15,000 but does not exceed Rs. 25,000.	4 per cent. of the current income;
(2) Where the current income exceeds Rs. 25,000 but does not exceed Rs. 70,000.	Rs. 1,000 *plus* 10 per cent. of the amount by which the current income exceeds Rs. 25,000;
(3) Where the current income exceeds Rs. 70,000.	Rs. 5,500 *plus* 12 per cent. of the amount by which the current income exceeds Rs. 70,000:

Provided that in a case (whether falling under Paragraph A or Paragraph B)—

(*a*) where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,620, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs. 15,000;

(*b*) where the amount of compulsory deposit calculated in accordance with the foregoing provisions is less than Rs. 100, it shall not be necessary for the depositor concerned to make such deposit.".

Declaration under the Provisional Collection

of Taxes Act, 1931

It is hereby declared that it is expedient in the public interest that the provisions of clauses 31, 32, 33, 35, 36, 37 and 39 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX AND SURCHARGE ON INCOME-TAX

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000.	*Nil*;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000.	17 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 1,190 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 2,190 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000.	Rs. 3,690 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000.	Rs. 5,690 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000.	Rs. 15,690 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000.	Rs. 27,690 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 70,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1976 exceeds Rs. 8,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000.	*Nil*;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000.	20 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 1,400 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 2,900 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000.	Rs. 4,900 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000.	Rs. 7,400 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000.	Rs. 19,400 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 50,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000.	Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000.	Rs. 4,000 *plus* 40 per cent of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	*Nil*;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000.	Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000.	Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000.	Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	*Nil*;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000.	Rs. 6,00 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000.	Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000.	Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income.	50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

(*i*) on that part of its total income which consists of profits and gains from life insurance business.	52·5 per cent.;
(*ii*) on the balance, if any, of the total income.	the rate of income-tax applicable in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rates of income-tax

I. In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested,—	
(*i*) in a case where the total income does not exceed Rs. 1,00,000.	45 per cent. of the total income;
(*ii*) in a case where the total income exceeds Rs. 1,00,000.	55 per cent. of the total income;

(2) where the company is not a company in which the public are substantially interested,—

(*i*) in the case of an industrial company,—

(*a*) where the total income does not exceed Rs. 2,00,000. — 55 per cent. of the total income;

(*b*) where the total income exceeds Rs. 2,00,000. — 60 per cent. of the total income;

(*ii*) in any other case — 65 per cent. of the total income:

Provided that—

(*i*) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(*ii*) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company; and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company—

(*i*) on so much of the total income as consists of—

(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government. — 50 per cent.;

(*ii*) on the balance, if any, of the total income. — 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident in India—		
(*i*) on income by way of interest other than "Interest on securities"	10 per cent.	*Nil*;
(*ii*) on income by way of winnings from lotteries and cross-word puzzles.	30 per cent.	3 per cent. ;
(*iii*) on income by way of insurance commission.	10 per cent.	*Nil*;
(*iv*) on any other income (excluding interest payable on a tax-free security).	21 per cent.	2 per cent.;
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on a tax-free security).	income-tax at 30 per cent. and surcharge at 3 per cent. of the amount of the income, or income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	
(*ii*) on income by way of interest payable on a tax-free security	15 per cent.	1·5 per cent.
2. In the case of a company—		
(*a*) where the company is a domestic company—		
(*i*) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*ii*) on any other income (excluding interest payable on a tax-free security).	22 per cent.	1 per cent.;
(*b*) where the company is not a domestic company—		
(*i*) on income by way of dividends payable by any domestic company	25 per cent.	*Nil*;
(*ii*) on income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government,—		
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976.	50 per cent.	2·5 per cent.;
(B) where the agreement is made after the 31st day of March, 1976—		
(1) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property.	20 per cent.	*Nil*;
(2) on the balance, if any, of such income.	40 per cent.	*Nil*;
(*iii*) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government—		
(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976.	50 per cent.	2·5 per cent.;
(B) where the agreement is made after the 31st day of March, 1976.	40 per cent.	*Nil*;
(*iv*) on income by way of interest payable on a tax-free security.	44 per cent.	2·2 per cent.;
(*v*) on any other income.	70 per cent.	3·5 per cent.

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or section 164 of the Income-tax Act at the rates as specified in that Chapter or section, shall be so calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000.	*Nil*;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000.	15 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceed Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 1,050 *plus* 18 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 1,950 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000.	Rs. 3,200 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000.	Rs. 4,700 *plus* 40 per cent of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000.	Rs. 12,700 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 50,000;

(8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000.	Rs. 22,700 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 70,000;
(9) where the total income exceeds Rs. 1,00,000.	Rs. 39,200 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1977 exceeds Rs. 8,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000.	*Nil*;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000.	18 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000.	Rs. 1,260 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000.	Rs. 2,510 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000.	Rs. 4,010 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
(6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000.	Rs. 6,010 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
(7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000.	Rs. 16,010 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 50,000;
(8) where the total income exceeds Rs. 70,000.	Rs. 27,% *plus* 60% of the amount by which the total income exceeds Rs. 70,000.

Surcharge on income-tax

The amount of Income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000.	Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000.	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000.	Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000.	Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000.	Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for

purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000.	Nil;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000.	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000.	Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000.	Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000.	Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income.	50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company,—

(*1*) where the company is a company in which the public are substantially interested,—	
(*i*) in a case where the total income does not exceed Rs. 1,00,000.	45 per cent. of the total income;
(*ii*) in a case where the total income exceeds Rs. 1,00,000.	55 per cent. of the total income;
(*2*) where the company is not a company in which the public are substantially interested,—	
(*i*) in the case of an industrial company,—	
(*a*) where the total incomes does not exceed Rs. 2,00,000.	55 per cent. of the total income;
(*b*) where the total income exceeds Rs. 2,00,000.	60 per cent. of the total income;
(*ii*) in any other case.	65 per cent. of the total income.

Provided that—

(*i*) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(*ii*) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company,—

(*i*) on so much of the total income as consists of—	
(*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	
(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent.;
(*ii*) on the balance if any of the total income	70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[*See* section 2(9)(*e*)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1.—Agricultural income of the nature referred to in sub-clause (*a*) of clause (*1*) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (*2*) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (*3*) and (*4*) of section 40A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (*b*) or sub-clause (*c*) of clause (*1*) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (*c*)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (*3*) and (*4*) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (*1*) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (*2*) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (*1*), sub-section (*2*) and sub-section (*3*) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8.—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9.—(*1*) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1976, any agricultural income and the net result of the computation of the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1974 or the 1st day of April, 1975, or both, is a loss, then, for the purposes of sub-section (*2*) of section 2 of this Act,—

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, and

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975.

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1976.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1977 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976, is a loss, then, for the purposes of sub-section (7) of section 2 of this Act,—

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976,

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, and

(*iii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1977 or the period aforesaid.

(*3*) Where a change has occurred in the constitution of a firm, nothing in sub-rule (*1*) or sub-rule (*2*) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (*1*), sub-section (*2*) and sub-section (*3*) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person otherwise than by inheritance, nothing in sub-rule (*1*) or sub-rule (*2*) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (*1*) or, as the case may be, sub-rule (*2*).

(*5*) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules, or the rules contained in Part IV of the First Schedule to the Finance Act, 1974, or of the First Schedule to the Finance Act, 1975, shall be set off under sub-rule (*1*) or, as the case may be, sub-rule (*2*).

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

(*See section* 31)

PART I

In the First Schedule to the Tariff Act,—

(*i*) in Item No. 47(2), for the entry in the fourth column, the entry "100 per cent. *ad valorem plus* Rs. 20·00 per kilogram." shall be substituted;

(*ii*) in Item No. 63 (20A), for the figures "200" in the fourth column, the figures "300" shall be substituted;

(*iii*) in Item No. 64, for the figures "60" and "50" in the fourth and fifth columns, the figures "100" and "90" shall, respectively, be substituted;

(*iv*) in Item Nos. 64(1) and 64(2), for the figures "40" in the fourth column against each of them, the figures "100" shall be substituted;

(*v*) in Item Nos. 64(3) and 64(5), for the figures "50" and "60" in the fourth column against each of them, the figures "90" and "100" shall, respectively, be substituted;

(*vi*) in Item No. 64(4), for the figures "40", "30" and "30" in the fourth, fifth and sixth columns, the figures "100", "90" and "90" shall, respectively, be substituted.

PART II

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7

In the First Schedule to the Tariff Act,—

(*i*) after Item No. 28B, the following Item shall be inserted, namely:—

"28C	Caprolactam and Dimethyl terephthalate.	Preferential Revenue.	150 per cent. *ad valorem*	140 per cent. *ad valorem.*	140 per cent. *ad valorem.*	

1	2	3	4	5	6	7

(*ii*) for Item No. 63(30), the following Item shall be substituted, namely:—

'63(30)	Alloy steel and high carbon steel products, the following, namely, ingots, blooms, billets, slabs, bars, flats, rods, coils, angles, shapes, sections, sheets, plates, hoops, strips and wire, but excluding articles specified in Item Nos.63 (14A) and 63(20A).	Revenue	60 per cent. *ad valorem*.	..	..	..'.

Explanation I.—This Item is to be taken to apply to the goods mentioned therein even though they may be covered by any other Item in this Schedule.

Explanation II.—For the purposes of this Item, the expressions "alloy steel" and "high carbon steel" have the meanings respectively assigned to them in Note 1(d) and 1(e) of Chapter 73 of the First Schedule to the 51 of 1975 Customs Tariff Act, 1975.

THE THIRD SCHEDULE

[*See* section 34]

PART I

In the First Schedule to the Customs Tariff Act,—

(*i*) in Heading No. 51.01/03, for the entry in column (3), the entry "100% *plus* Rs. 20 per kilogram" shall be substituted;

(*ii*) in Heading No. 56.05/06, for the entry in column (3), the entry "100% *plus* Rs. 20 per kilogram" shall be substituted;

(*iii*) in Heading No. 74.01/02, for the entry in column (3), the entry "100%" shall be substituted;

(*iv*) in Heading No. 74.03,—

(*1*) in sub-heading No. (1), for the entry in column (3), the entry "100%" shall be substituted;

(*2*) in sub-heading No. (2), for the entries in columns (3) and (4), the entries "100%" and "90 per cent." shall, respectively, be substituted;

(*v*) in Headings Nos. 74.04/05 and 74.06, for the entry in column (3) against each of them, the entry "100%" shall be substituted;

(*vi*) in Heading No. 74.07/08, in sub-heading No. (1), for the entry in column (3), the entry "100%" shall be substituted;

(*vii*) in Heading No. 74.09/19, for the entry in column (3), the entry "100%" shall be substituted.

PART II

Heading No.	Sub-heading No. and description of article	Rate of duty			Duration when rates of duty are protective
		Standard	U.K.	Other Preferential Areas	
(1)	(2)	(3)	(4)	(5)	(6)
In the First Schedule to the Customs Tariff Act,—					
(*i*) in Heading No. 29·01/45 , after sub-heading No. (19), the following sub-heading shall be inserted, namely:—					
"(20)	Caprolactam and Dimethyl-terephthalate.	150%	140%	140%	. .";
(*ii*) for Heading No. 73·15, the following Heading shall be substituted, namely:—					
"73·15	Alloy steel and high carbon Steel in the forms mentioned in Headings Nos. 73·06/07 to 73·14 :				
	(1) Not elsewhere specified.	60%	..	..	..
	(2) Coils for rerolling, strips, sheets and plates, of stainless steel.	300%	..	..	.. ".

PART III

In the Second Schedule to the Customs Tariff Act, in Heading No. 1, for the entry in column (3), the entry "Rs. 300 per quintal" shall be substituted.

PART IV

Heading No.	Description of article	Rate of duty
(1)	(2)	(3)
"20.	Groundnut—	
	(i) Groundnut kernel	. . Rs. 800 per tonne.
	(ii) Groundnut in shell	. Rs. 600 per tonne.".

In the Second Schedule to the Customs Tariff Act, the following Heading shall be inserted at the end, namely:—

THE FOURTH SCHEDULE

[*See* section 35]

PART I

In the First Schedule to the Central Excises Act,—

(*i*) in item No. 4, under "II. Manufactured tobacco-", for the entry in the third column against sub-item (1), the entry "One hundred and fifty-five per cent. *ad valorem*." shall be substituted;

(*ii*) in Item No. 6, for the entry in the third column, the entry "Two thousand two hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*iii*) in Item No. 8, for the entry in the third column against sub-item (a), the entry "One thousand rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*iv*) in Item No. 10, for the entry in the third column, the entry "One hundred and fifty rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(*v*) in Item No. 11, for the entry in the third column against sub-item (1), the entry "Two hundred rupees per metric tonne." shall be substitued;

(*vi*) in Item No. 11A, for the entries in the third column against sub-items (3) and (4), the entries "Twenty per cent. *ad valorem plus* six hundred rupees per metric tonne." and "Twenty per cent. *ad valorem plus* two thousand rupees per metric tonne." shall, respectively, be substituted;

(*vii*) in Item No. 11B, for the entry in the third column, the entry "Twenty per cent. *ad valorem plus* two thousand rupees per metric tonne." shall be substituted;

(*viii*) in Item No. 14E, for the entry in the third colmun, the entry "Twelve and a half per cent. *ad valorem*." shall be substituted;

(*ix*) in Item No. 18, after *Explanation III*, the following *Explanation* shall be inserted, namely:—

"*Explanation IV*.—This item does not include mineral fibres and yarn.";

(*x*) in Item No. 19, in the second column, for the words "impregnated or coated", wherever they occur, the words "impregnated, coated or laminated" shall be substituted;

(*xi*) in Item No. 22,—

(*a*) in the second column, for the words "impregnated or coated", wherever they occur, the words "impregnated, coated or laminated" shall be substituted;

(*b*) the *Explanation* shall be numbered as "*Explanation I*." and after the *Explanation* as so numbered, the following *Explanation* shall be inserted, namely:—

"*Explanation II*.—This item does not include glass fabrics.";

(*xii*) in Item No. 22B, in the second column, for the words "IMPREGNATED OR COATED", the words "IMPREGNATED, COATED OR LAMINATED" shall be substituted;

(*xiii*) in Item No. 22C, in the second column, for the words "IMPREGNATION OR COATING", the words "IMPREGNATION, COATING OR LAMINATION" shall be substituted;

(*xiv*) in Item No, 33A,—

(*a*) for the entries in the third column against sub-items (2) and (3), the entries "Four hundred rupees per set." and "Four hundred rupees per set." shall, respectively, be substituted;

(*b*) for the entry in the second column against sub-item (3), the entry "Radiograms (including radio or transistor sets with extra space in cabinet for fitting in record players or record changers) and combination sets of radios (including transistor sets) and tape recorders (including cassette recorders and tape decks)" shall be substituted;

(*xv*) in Item No. 33D, in the second column,—

(*a*) the words and brackets "COMPUTERS (INCLUDING CENTRAL PROCESSING UNITS AND PERIPHERAL DEVICES)" shall be omitted;

(*b*) after the words "OR UNASSEMBLED CONDITION", the words "NOT ELSEWHERE SPECIFIED" shall be inserted;

(*xvi*) in Item No. 35, in the second column, for the words "CYCLES, PARTS OF CYCLES", the words "PARTS OF CYCLES" shall be substituted;

(*xvii*) Item No. 45 shall be omitted.

PART II

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	In the First Schedule to the Central Excises Act,—	
	(i) for Item No. 1D, the following Item shall be substituted, namely :—	
"1D	AERATED WATERS, WHETHER OR NOT FLAVOURED OR SWEETENED AND WHETHER OR NOT CONTAINING VEGETABLE OR FRUIT JUICE OR FRUIT PULP—	
	(1) Aerated waters, in the manufacture of which blended flavouring concentrates in any form are used—	
	(*a*) For each unit container containing 200 millilitres or less.	Twenty-five paise.
	(*b*) For each unit container containing more than 200 millilitres.	Twenty-five paise *plus* ten paise for every hundred,

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
		millilitres or fraction thereof in excess of 200 millilitres.
	(*c*) All others.	Fifty-five per cent. *ad valorem.*
	(2) All others.	Twenty per cent. *ad valorem.*" ;
	(*ii*) after Item No. 15B, the following item shall be inserted, namely :—	
"15C	STARCH (INCLUDING DEXTRIN AND OTHER FORMS OF MODIFIED STARCH), ALL SORTS, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.	Ten per cent. *ad valorem.*" ;
	(*iii*) for Item No. 17, the following Item shall be substituted, namely :—	
"17	PAPER AND PAPER BOARD, ALL SORTS (including pasteboard, millboard, strawboard, cardboard and corrugated board), in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—	
	(1) Uncoated and coated printing and writing paper (other than poster paper).	Twenty-five per cent *ad valorem.*
	(2) Paper board and all other kinds of paper (including paper or paper boards which have been subjected to various treatments such as coating, impregnating, corrugation, creping and design printing), not elsewhere specified.	Thirty per cent. *ad valorem.*" ;
	(*iv*) in Item No. 19, for sub-item I(2), the following sub-item shall be substituted, namely :—	
	"(2) Others—	
	(*a*) Cotton fabrics, superfine—that is to say, fabrics in which the average count of yarn is 61s or more.	Fifteen per cent. *ad valorem.*
	(*b*) Cotton fabrics, fine—that is to say, fabrics in which the average count of yarn is 41s or more but is less than 61s.	Fifteen per cent. *ad valorem.*
	(*c*) Cotton fabrics, medium A—that is to say, fabrics in which the average count of yarn is 26s or more but is less than 41s.	Three per cent. *ad valorem.*

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	(*d*) Cotton fabrics, medium B—that is to say, fabrics in which the average count of yarn is 17s or more but is less than 26s.	Three per cent. *ad valorem.*
	(*e*) Cotton fabrics, coarse—that is to say, fabrics in which the average count of yarn is less than 17s.	Three per cent. *ad valorem.*
	(*f*) Cotton fabrics not otherwise specified.	Fifteen per cent. *ad valorem.*";
	(*v*) after item No. 22E, the following Item shall be inserted, namely :—	
'22F	MINERAL FIBRES AND YARN, AND MANUFACTURES THEREFROM, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER.	Fifteen per cent. *ad valorem.*';
	Explanation.—"Mineral fibres and yarn, and manufactures therefrom" shall be deemed to include—	
	(*i*) glass fibre and yarn including glass tissues and glass wool;	
	(*ii*) asbestos fibre and yarn;	
	(*iii*) any other mineral fibre or yarn, whether continuous or otherwise such as slag-wool and rock wool; and	
	(*iv*) manufactures containing mineral fibres and yarn, other than asbestos cement products.	
	(*vi*) for item No. 23, the following Item shall be substituted, namely :—	
"23	CEMENT ALL VARIETIES—	
	(1) Grey portland cement (including ordinary portland cement, pozzolana cement and blast furnace slag cement), masonry cement, rapid hardening cement, low heat cement and water-proof (hydrophobic) cement.	Rupees one hundred per metric tonne.
	(2) All others.	Thirty-five per cent. *ad valorem.*" ;
	(*vii*) after Item No. 33D, the following Item shall be inserted, namely :—	
"33DD	COMPUTERS (INCLUDING CENTRAL PROCESSING UNITS AND PERIPHERAL DEVICES), ALL SORTS.	Fifteen per cent. *ad valorem.*" ;

THE FIFTH SCHEDULE

[*See* section 37]

In the First Schedule to the Additional Duties of Excise Act,—

(*i*) in Item No. 4, under 'II *Manufactured tobacco*—', for sub-item (1), the following sub-item shall be substituted, namely:—

"(1) Cigars and cheroots.	Fifty per cent. *ad valorem*.";

(*ii*) in Item No. 19,—

(*a*) in the second column, for the words "impregnated or coated", wherever they occur, the words "impregnated, coated or laminated" shall be substituted;

(*b*) for the entries in the third column, against sub-items I(2)(a), I(2)(b), I(2)(c), I(2)(d), I(2)(e) and I(2)(f), the entries "Two and a half per cent. *ad valorem*.", "Two and a half per cent. *ad valorem*.", "Two per cent. *ad valorem*.", "One per cent. *ad valorem*.", "One-half per cent. *ad valorem*.", "Two and a half per cent. *ad valorem*." shall, respectively, be substituted;

(*iii*) in Item No. 22, in the second column, for the words "impregnated or coated", wherever they occur, the words "impregnated, coated or laminated" shall be substituted.

THE SIXTH SCHEDULE

[*See* section 39 (*c*)]

In the Schedule to the Medicinal and Toilet Preparations (Excise Duties) Act, 1955, for the headings and the items and entries relating thereto, occurring before the *Explanations*, the following shall be substituted, namely:—

16 of 1955.

Item No	Description of dutiable goods	Rate of duty
	Medicinal preparations	
1.	Allopathic Medicinal Preparations :—	
	(*i*) Medicinal preparations containing alcohol which are not capable of being consumed as ordinary alcoholic beverages—	
	(*a*) Patent or proprietary medicines.	Twenty per cent. *ad valorem* or rupees three and seventy-five paise per litre of the strength of London proof spirit, whichever is higher.
	(*b*) Others.	Rupees three and seventy-five paise per litre of the strength of London proof spirit.

Item No.	Description of dutiable goods	Rate of duty
	(*ii*) Medicinal preparations containing alcohol which are capable of being consumed as ordinary alcoholic beverages—	
	(*a*) Medicinal preparations which contain known active ingredients in therapeutic quantities.	Twenty per cent. *ad valorem* or rupees seven and fifty paise per litre of the strength of London proof spirit, whichever is higher.
	(*b*) Others.	Rupees thirty per litre of the strength of London proof spirit.
	(*iii*) Medicinal preparations not containing alcohol but containing narcotic drug or narcotic.	Twenty per cent. *ad valorem*.
2.	Medicinal preparations in Ayurvedic, Unani or other indigenous systems of medicine—	
	(*i*) Medicinal preparations containing self-generated alcohol which are not capable of being consumed as ordinary alcoholic beverages.	*Nil*.
	(*ii*) Medicinal preparations containing self-generated alcohol which are capable of being consumed as ordinary alcoholic beverages.	Rupee one per litre of the strength of London proof spirit.
	(*iii*) All others containing alcohol which are prepared by distillation or to which alcohol has been added.	Rupees thirty per litre of the strength of London proof spirit.
	(*iv*) Medicinal preparations not containing alcohol but containing narcotic drug or narcotic.	Twenty per cent. *ad valorem*.
3.	Homeopathic preparations containing alcohol.	Rupees seven and fifty paise per litre of the strength of London proof spirit.
	Toilet preparations	
4.	Toilet preparations containing alcohol or narcotic drug or narcotic.	Sixty per cent. *ad valorem* or rupees seven and fifty paise per litre of the strength of London proof spirit, whichever is higher.".

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1976-77. The notes on clauses explain the various provisions contained in the Bill.

NEW DELHI; C. SUBRAMANIAM.

The 15th March, 1976.

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. F. 4(11)-B/76 dated the 15th March, 1976 from Shri C. Subramaniam, Minister of Finance to the Secretary-General, Lok Sabha].

The President, having been informed of the subject matter of the proposed Bill, recommends under article 117(1) read with article 274(1) of the Constitution of India, the introduction of the Finance Bill, 1976 to the Lok Sabha.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 15th March, 1976.

Notes on clauses

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax (including surcharge thereon) is to be levied on income chargeable to tax for the assessment year 1976-77. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1976-77 from incomes subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1976-77.

Rates of income-tax for the assessment year 1976-77.—The rates of income-tax (including surcharge) in the case of non-corporate taxpayers on incomes liable to tax for the assessment year 1976-77 are the same as those specified in Part III of the First Schedule to the Finance Act, 1975, as modified by the Finance (Amendment) Act, 1975, for purposes of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1975-76. Similarly, in the case of corporate taxpayers, the rates of income-tax (including surcharge) on incomes liable to tax for the assessment year 1976-77 are the same as those laid down in Part III of the First Schedule to the Finance Act, 1975 for purposes of computing "advance tax" payable by companies during the financial year 1975-76.

Rates for deduction of tax at source during the financial year 1976-77 *from incomes other than "Salaries".*—Part II of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1976-77 from incomes other than "Salaries" and retirement annuities under section 80E(9) of the Income-tax Act. The rates specified in this Part for deduction of tax at source are the same as those specified in Part II of the First Schedule to the Finance Act, 1975 for the purposes of deduction of tax at source during the financial year 1975-76, except for the following modifications:—

(*i*) Income-tax will be deducted at source from dividends payable by a domestic company to a foreign company at the rate of 25 per cent., as against 25.725 per cent. (income-tax 24.5 per cent. *plus* surcharge 1.225 per cent.) previously;

(*ii*) Lower rates of income-tax have been specified for deduction of tax at source from royalties and fees for technical services payable by Indian concerns to foreign companies in pursuance of agreements made after 31st March, 1976 and approved by the Central Government.

Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1976-77.—Part III of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge) is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act, and also the rates at which "advance tax" is to be paid and income-tax is to be calculated and charged in special cases for the financial year 1976-77.

The rates of income-tax in the case of individuals, Hindu undivided families (other than those having at least one member with independent total income exceeding Rs. 8,000), unregistered firms or other associations of persons or bodies of individuals and artificial juridical persons have been specified in Sub-Paragraph I of Paragraph A of Part III of the First Schedule to the Bill. Under this rate schedule, the following rates of income-tax have been specified:—

First slab of Rs. 8,000	Nil
Slab of Rs. 8,001-15,000	15 per cent.
Slab of Rs. 15,001-20,000	18 per cent.
Slab of Rs. 20,001-25,000	25 per cent.
Slab of Rs. 25,001-30,000	30 per cent.
Slab of Rs. 30,001-50,000	40 per cent.
Slab of Rs. 50,001-70,000	50 per cent.
Slab of Rs. 70,001-1,00,000	55 per cent.
Slab of over 1,00,000	60 per cent.

The income-tax so calculated shall be increased by a surcharge for purposes of the Union equal to 10 per cent. of such income-tax.

In the case of Hindu undivided families having at least one member with independent total income exceeding Rs. 8,000, the rate of income-tax applicable on each slab of income will be the same as the rate of income-tax applicable in respect of the next higher slab in the case of individuals and other Hindu undivided families.

In the case of individuals, Hindu undivided families, unregistered firms or other associations of persons or bodies of individuals and artificial juridical persons, the net agricultural income will be taken into account for determining the rate of income-tax to be applied to the total income if the total income exceeds Rs. 8,000. For this purpose, the net agricultural income shall be computed in accordance with the rules specified in Part IV of the First Schedule to the Bill.

In the case of co-operative societies, registered firms and local authorities, the rates of income-tax as also surcharge thereon have respectively been prescribed in Paragraph B, Paragraph C and Paragraph D of Part III of the First Schedule to the Bill. These rates are the same as those specified in the corresponding Paragraphs of Part I of the First Schedule.

In the case of companies, the rates of income-tax as also surcharge thereon have been specified in Paragraph E of Part III of the First Schedule to the Bill. These rates are the same as those specified in Paragraph F of Part I of the First Schedule to the Bill.

It has further been provided that a company may, in lieu of payment of surcharge on income-tax at the specified rate, make, before the last instalment of advance-tax is due in its case, a deposit with the Industrial Development Bank of India under a scheme to be framed by the Central

Government in this behalf, and if it does so, the amount of surcharge payable by it shall be reduced by the amount of the deposit. Where a company makes a deposit during the financial year 1976-77 under the scheme, the surcharge on income-tax payable by it for the assessment year 1977-78 will also be reduced by the amount of the deposit so made.

Clause 3 seeks to make certain amendments in section 2 of the Income-tax Act relating to definitions.

Sub-clause (a) seeks to insert a new clause (28A) in section 2 of the Act. The new clause seeks to define the expression "interest" so as to mean interest payable in any manner in respect of any moneys borrowed or debt incurred (including a deposit, claim or other similar right or obligation) or service fees or any other type of charge in respect of any moneys borrowed or debt incurred or any credit facility which has not been utilised.

The amendments proposed under sub-clause (b)(i) and sub-clause (b) (ii) are of a consequential nature.

These amendments will take effect from 1st June, 1976.

Clause 4 seeks to make certain amendments in section 9 of the Income-tax Act relating to income deemed to accrue or arise in India.

Sub-clause (a) seeks to amend clause (i) of sub-section (1) of section 9 of the Act. This amendment is consequential to the amendment proposed under sub-clause (b).

Sub-clause (b) seeks to insert three new clauses, namely, clause (v), clause (vi) and clause (vii) in sub-section (1) of section 9 of the Act. Under the new clause (v), income from interest shall be deemed to accrue or arise in India if it is payable by the Government, or by a person who is resident in India, or by a person who is a non-resident where such interest is payable in respect of moneys borrowed or debt incurred for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India. This provision will, however, not be applicable in respect of interest payable by a resident of India if it is payable in respect of any moneys borrowed or debt incurred for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India.

Under the new clause (vi), income from royalty shall be deemed to accrue or arise in India if it is payable by the Government, or by a person who is resident in India, or by a person who is a non-resident where such royalty is payable in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India. This provision will, however, not be applicable in respect of royalty payable by a resident of India in respect of any right, property or information used or services utilised for the purposes of a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India.

Under the new clause (vii), income from fees for technical services shall be deemed to accrue or arise in India if it is payable by the Government, or by a person who is resident in India, or by a person who is a non-resident where the fees are payable in respect of services utilised in a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India. This provision will, however, not be applicable in respect of fees for technical services payable by a resident of India in respect of services utilised in a business or profession carried on by such person outside India or for the purposes of making or earning any income from any source outside India.

These amendments will take effect from 1st June, 1976.

Clause 5 seeks to amend section 10 of the Income-tax Act.

Sub-clause (a) seeks to insert a new sub-clause (xi) in clause (6) of that section. The new sub-clause provides for exemption in respect of any remuneration received by officers of foreign Governments from their respective Governments during their period of training in India in the public sector. This amendment will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

Sub-clause (b) seeks to insert a new item (f) in sub-clause (iv) of clause (15) of that section. Under the amendment, interest payable by an industrial undertaking in India on moneys borrowed by it in foreign currency from foreign sources under a loan agreement approved by the Central Government having regard to the need for industrial development in India will be exempt from income-tax, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment. The expression "foreign currency" will have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973. This amendment will take effect from 1st June, 1976.

Clause 6 seeks to substitute clause (iii) of sub-section (5) of section 13 of the Income-tax Act. The amendment seeks to provide that deposit in any account with the State Bank of India or with any of its subsidiary banks will also be a mode for investing or depositing funds of charitable or religious trusts or institutions. This amendment will take effect from 1st April, 1977.

Clause 7 seeks to amend section 32 of the Income-tax Act.

Sub-clause (1) seeks to amend clause (iv) of sub-section (1) of that section. Under the proposed amendment, buildings newly erected by the assessee which are solely used for the purposes of the residence of such of his employees as have incomes chargeable under the head "Salaries" of Rs. 10,000 or less or are mainly used for the welfare of such employees as a hospital, creche, canteen, etc., will be entitled to the grant of initial depreciation allowance. At present, initial depreciation allowance is allowed only where such buildings are used by employees having incomes chargeable under the head "Salaries" up to Rs. 7,500 only. This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Sub-clause (2)(a) seeks to amend clause (vi) of sub-section (1) of section 32 relating to grant of initial depreciation allowance. The amendment seeks to secure that initial depreciation allowance will be granted only in respect of machinery or plant installed for the manufacture or production of the articles or things already specified in items 1 to 24 of the list in the Ninth Schedule, and not in respect of the eight new items proposed to be inserted in that Schedule by clause 25 of the Bill.

Sub-clause (2) (b) seeks to provide that initial depreciation allowance will not be granted in respect of any ship or aircraft acquired after 31st March, 1976 or any machinery or plant installed after that date. This amendment is consequential to the insertion of a new section 32A relating to grant of investment allowance by clause 8 of the Bill.

The amendments proposed to be made by sub-clause (2) will take effect from 1st April, 1976.

Clause 8 seeks to insert a new section 32A in the Income-tax Act. The new section provides for the deduction in the computation of taxable profits of a sum by way of investment allowance in an amount equal to 25 per cent, of the actual cost of new machinery or plant (other than office appliances or road transport vehicles) installed after 31st March, 1976 for the purposes of business of generation or distribution of electricity or any other form of power or of construction, manufacture or production of any one or more of the articles or things specified in the Ninth Schedule to the Act or of manufacture or production of any other articles or things by a small scale industrial undertaking. This deduction will also be admissible in respect of new ships or new aircraft acquired after 31st March, 1976 by a taxpayer engaged in the business of operation of ships or aircraft. Second-hand ships or aircraft which were not previously used by any person resident in India and reconditioned machinery or plant imported from abroad will also qualify for the grant of investment allowance, subject to certain conditions. No deduction will, however, be admissible in respect of machinery or plant installed in any business premises or residential accommodation, including a guest house, or in respect of any ship, aircraft, machinery or plant in respect of which deduction by way of development rebate is allowable under section 33 of the Act, or in respect of any machinery or plant, the whole of the actual cost of which is allowed as a deduction in a single previous year whether by way of depreciation or otherwise. The deduction on account of investment allowance will *not* be allowed unless an amount equal to 75 per cent. of the investment allowance to be actually allowed is debited to the profit and loss account of the relevant previous year and credited to a reserve account to be called the "Investment Allowance Reserve Account" to be utilised by the taxpayer within a period of ten years next following for the purchase of machinery or plant for the purposes of the business of the undertaking. In the case of ships, the investment allowance reserve required to be created would be limited to 50 per cent. of such allowance.

The scheme of investment allowance is broadly on the lines of the scheme of development rebate and the provisions in the Bill regarding withdrawal of the investment allowance in certain circumstances, continuation of this allowance on amalgamation, etc., generally follow the existing provisions in the Income-tax Act relating to development rebate.

This amendment will take effect from 1st April, 1976.

Clause 9 seeks to make certain amendments in section 37 of the Income-tax Act.

Sub-clause (a) seeks to make certain consequential amendments in sub-section (2A) of that section.

Sub-clause (b) seeks to omit sub-section (2B) of section 37 whereunder entertainment expenditure incurred by an assessee in India after 28th February, 1970 is disallowed in its entirety in computing the income from business or profession. The effect of the proposed amendment will be that the allowance in respect of entertainment expenditure incurred by an assessee will be regulated in accordance with the provisions contained in sub-section (2A) of section 37.

The amendment proposed by sub-clause (a) (i) will take effect from 1st April, 1976 and the remaining amendments will take effect from 1st April, 1977.

Clause 10 seeks to insert new sections 44C and 44D in the Income-tax Act. New section 44C provides for a ceiling limit in respect of deduction to be allowed on account of expenditure in the nature of head office expenditure in computing the profits and gains of a non-resident. The deduction on account of such expenditure would be limited to 5 per cent. of the adjusted total income or an amount equal to the average head office expenditure or the amount of head office expenditure incurred by the assessee and attributable to his business in India, whichever is the least. In cases where the adjusted total income of the assessee is a loss, the amount of deduction by way of head office expenditure will be computed at the rate of 5 per cent. of the average adjusted total income of the assessee. The expressions 'adjusted total income', 'average head office expenditure' and 'average adjusted total income' have been defined in the *Explanation* to the proposed new section.

New section 44D seeks to provide that in the case of a foreign company, the deduction that would be admissible in computing its income by way of royalty or fees for technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern before 1st April, 1976 will be limited to 20 per cent. of the gross amount of such income. No such deduction will be admissible in cases where any royalties or fees for technical services are received by a foreign company from an Indian concern in pursuance of an agreement made by it with the Indian concern after 31st March, 1976.

These amendments will take effect from 1st June, 1976.

Clause 11 seeks to amend section 47 of the Income-tax Act. Under the proposed amendment, capital gains arising from the transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, will be exempt from tax in cases where such asset is transferred by the assessee to the Government or a University established or incorporated by or

under a Central, State or Provincial Act (including an institution declared under section 3 of the University Grants Commission Act, 1956 to be a University for the purposes of that Act) or the National Museum, National Art Gallery, National Archives or any such other public museum or institution as may be notified by the Central Government in the Official Gazette to be of national importance or to be of renown throughout any State or States.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 12 seeks to omit section 54C of the Income-tax Act. Under the existing provisions of section 54C, where a capital gain arises on the sale of jewellery held for personal use by the taxpayer, the liability towards capital gains tax is remitted if the entire sale proceeds are invested in acquiring new jewellery within six months of the transfer. This amendment will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

Clause 13 seeks to insert a new proviso and *Explanation* in section 57 of the Income-tax Act. The effect of the proposed amendment would be that in the case of a foreign company, no deduction under that section will be allowed in computing its income by way of dividends. This amendment will take effect from 1st June, 1976.

Clause 14 seeks to insert a new sub-section (3) in section 58 of the Income-tax Act. The proposed amendment seeks to make applicable the provisions of new section 44D for the purposes of computation of income chargeable under the head "Income from other sources". This amendment will take effect from 1st June, 1976.

Clause 15 seeks to insert a new sub-section (4) in section 80A of the Income-tax Act. The proposed sub-section seeks to provide that no deduction will be allowed under section 80G or section 80GG or section 80HH or section 80J or section 80L or section 80QQ in the case of a Hindu undivided family which has atleast one member whose total income of the previous year exceeds the maximum amount not chargeable to tax. This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent assessment years.

Clause 16 seeks to amend clause (d) of sub-section (2) of section 80C of the Income-tax Act. At present, contributions by a person to a recognised provident fund are subject to a ceiling limit of one-fifth of the taxpayer's salary or Rs. 8,000, whichever is less. Under the proposed amendment, the monetary ceiling limit of Rs. 8,000 is being raised to Rs. 10,000.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 17 seeks to amend section 80G of the Income-tax Act. The amendments proposed to be made by sub-clauses (a) and (b) are intended

to secure that donations made to Housing Boards or other statutory authorities set up for the purposes of dealing with or satisfying the need for housing accommodation or for the purposes of planning, development or improvement of cities, towns and villages qualify for the tax concession under section 80G to the same extent as donations made to institutions or funds established in India for charitable purposes. These amendments will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Sub-clause (c) seeks to insert a new *Explanation* 5 in section 80G. The proposed *Explanation* seeks to clarify that only donations made in the form of money (in contra-distinction to donations in kind) will qualify for the tax concession under that section. This amendment will take effect from 1st April, 1976.

Clause 18 seeks to amend section 80M of the Income-tax Act. The effect of the proposed amendment would be that the deduction under section 80M from income by way of dividends received from a domestic company will no longer be available in the case of foreign companies.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 19 seeks to amend section 115 of the Income-tax Act. Under the amendment, long-term capital gains relating to buildings or lands or any rights therein will be chargeable to tax at the rate of fifty per cent., as against fifty-five per cent. at present. A lower rate of forty per cent., as against forty-seven per cent. at present, is proposed to be applied in the case of widely-held companies having taxable income (other than long-term capital gains) not exceeding Rs. 1,00,000. Under the amendment, long-term capital gains relating to other assets are proposed to be charged at the rate of forty per cent. in the case of all companies, as against forty-five per cent. at present.

These amendments will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 20 seeks to insert two new sections 115A and 115B in the Income-tax Act.

The new section 115A lays down the rates of income-tax on dividends, royalty and fees for technical services received by foreign companies. Under the new section, income by way of dividends received by foreign companies will be chargeable to tax at the rate of 25 per cent. of such income. Royalties or fees for technical services received by a foreign company from an Indian concern in pursuance of an agreement made by it with the Indian concern after 31st March, 1976 and approved by the Central Government will be charged to tax at the following rates:—

(a) on income by way of royalty consisting of lump sum consideration for the transfer outside India of, or imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property, at the rate of 20 per cent. of such income;

(b) on other income by way of royalty and on fees for technical services at the rate of 40 per cent.

New section 115B seeks to provide that profits and gains from life insurance business (as computed under the First Schedule to the Income-tax Act as proposed to be amended by clause 23 of the Bill) will be chargeable to tax at the rate of 12½ per cent. of such profits and gains.

These amendments will take effect from 1st June, 1976.

Clause 21 seeks to insert a new sub-section (4A) in section 155 of the Income-tax Act. This amendment is consequential to the insertion of a new section 32A in the Income-tax Act by clause 8 of the Bill. The proposed sub-section provides for the withdrawal of investment allowance in certain circumstances and the time limit within which an order can be made in this behalf under section 154 of the Income-tax Act.

This amendment will take effect from 1st April, 1976.

Clause 22 seeks to amend sub-section (2) of section 195 of the Income-tax Act. The amendment seeks to secure that a person responsible for paying any interest to a non-resident will be able to obtain an order from the Income-tax Officer determining the appropriate portion of such interest chargeable to tax so that deduction of tax at source is made only from the sum so determined by the Income-tax Officer.

This amendment will take effect from 1st June, 1976.

Clause 23 seeks to make certain amendments in the First Schedule to the Income-tax Act.

Sub-clause (a) seeks to substitute rule 2 relating to computation of profits of life insurance business by a new rule. Under the new rule, the determination of the profits of life insurance business will be simplified and such profits shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938, in respect of the last inter-valuation period, so as to exclude from it any surplus or deficit made in any earlier inter-valuation period. No further adjustment to the annual average of the surplus will be made.

The amendments made by sub-clauses (b) and (c) are only consequential.

These amendments will take effect from 1st April, 1977, and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 24 seeks to make certain amendments in the Eighth Schedule to the Income-tax Act.

Sub-clauses (a) to (d) seek to include certain new areas in the list of backward areas contained in the said Schedule for the purposes of grant of tax concession under section 80 HH of the Act.

Sub-clause (e) seeks to substitute the existing *Explanation* below the Schedule by a new *Explanation*. The proposed *Explanation* seeks to

provide that reference to the districts now proposed to be included in the Schedule, namely, the districts of Aurangabad, Begusarai, Bhojpur, Gaya, Monghyr, Nalanda and Nawadah in the State of Bihar; the district of Ferozepur in the State of Punjab; and the district of Rampur in the State of Uttar Pradesh, shall be construed as a reference to the areas comprised in those districts on 15th March, 1976 (being the date of introduction of the Finance Bill, 1976 in the House of the People). Reference to other districts shall be construed, as at present, as reference to the areas comprised in those districts on 3rd September, 1973.

These amendments will take effect from 1st April, 1976.

Clause 25 seeks to insert eight new items in the list of articles or things in the Ninth Schedule to the Income-tax Act. The effect of the amendment would be that (i) new machinery or plant (other than office appliances or road transport vehicles) installed for the purposes of the business of manufacture of any one or more of these items will qualify for the grant of investment allowance under the new section 32A, proposed to be inserted in the Income-tax Act by clause 8 of the Bill, in cases where the new machinery or plant is installed after 31st March, 1976; and (ii) the value of the shares in any new industrial company established for the purpose of carrying on the business of manufacture or production of any one or more of these articles will be exempt from wealth-tax for a period of five years provided that the shares form part of the initial issue of equity share capital made by the company after 28th February, 1975.

This amendment will take effect from 1st April, 1976.

Clause 26 seeks to make certain consequential amendments in section 45, section 141A, section 143 and section 160 of, and the Ninth Schedule to, the Income-tax Act.

Clause 27 seeks to amend the Wealth-tax Act, 1957.

Sub-clause (1) seeks to amend section 3 of the Wealth-tax Act. The amendment proposed is consequential to the insertion of Schedule II in the Wealth-tax Act under sub-clause (6) (b) of this clause. This amendment will take effect from 1st April, 1977.

Sub-clause (2) seeks to amend section 5 of the Wealth-tax Act.

Sub-clause (2)(a) seeks to insert a new clause (ivc) in sub-section (1) of section 5. Under the proposed amendment, one or more dwelling units having a plinth area not exceeding eighty square metres and the land appurtenant thereto will be exempt from wealth-tax in cases where the construction of the dwelling unit or units is begun on or after 1st April, 1976. The exemption will be available for a period of five successive assessment years next following the date on which the construction of the dwelling unit or units is completed. The *Explanation* to the new clause (ivc) defines the terms "dwelling unit" and "land appurtenant" in relation to a dwelling unit. This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Sub-clause (2)(b) seeks to insert a new clause (xa) in sub-section (1) of section 5. The new clause provides for exemption in respect of

any fee due to the assessee in respect of services rendered by him as a legal practitioner within the meaning of the Advocates Act, 1961. This amendment will take effect retrospectively from 1st April, 1975 and will accordingly apply in relation to the assessment year 1975-76 and subsequent years.

Sub-clause (2)(c) seeks to insert a new clause (xxxa) in sub-section (1) of section 5. The new clause provides for exemption from wealth-tax in respect of the value of any building belonging to the assessee where the building is used solely for the purpose of residence of persons employed in any plantation or industrial undertaking belonging to the assessee and the income of each such person chargeable under the head "Salaries" under the Income-tax Act is ten thousand rupees or less. This amendment will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

Sub-clause (2)(d) seeks to make certain amendments of a consequential nature in the *Explanation* to clause (xxxi) of sub-section (1) of section 5.

Sub-clause (2)(e) seeks to insert two new clauses (xxxiii) and (xxxiv) in sub-section (1) of section 5. The new clause (xxxiii) seeks to provide wealth-tax exemption in respect of moneys and the value of assets brought into India, or the value of assets acquired out of moneys brought into India, by persons of Indian origin in cases where such persons return to India with the intention of permanently residing therein. This exemption will be available only for a period of seven assessment years commencing with the assessment year next following the date on which such person returned to India.

The new clause (xxxiv) seeks to provide wealth-tax exemption in the case of non-resident Indians in respect of the value of equity shares owned by them in companies engaged in the business of manufacture or production of the articles or things specified in Schedule II to the Wealth-tax Act or which are certified by the prescribed authority to have undertaken the export of a specified percentage of the total production. This exemption will be available only where such shares form part of the initial issue of equity share capital made by the company after 31st March, 1976 or the shares form part of the issue of equity share capital certified by the prescribed authority to have been made by the company after the said date for the purposes of expansion or diversification of its industrial undertaking.

These amendments will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Sub-clause (3) seeks to amend section 7 of the Wealth-tax Act.

Sub-clause (3)(a) seeks to amend sub-section (3) of section 7. This amendment is consequential to the amendment proposed under sub-clause (3)(b).

Sub-clause (3)(b) seeks to insert a new sub-section (4) in section 7. Under the amendment, the value of a house belonging to the assessee and exclusively used by him for residential purposes throughout the period of twelve months immediately preceding the valuation date shall

be taken to be the price which, in the opinion of the Wealth-tax Officer, it would fetch if sold in the open market on the valuation date next following the date on which he became the owner of such house, or on the date relevant to the assessment year 1971-72, whichever is later. Where the house is constructed by the assessee, he shall, for the purposes of this provision, be deemed to have become the owner of the house on the date on which the construction of such house was completed. If more than one house belonging to the assessee is used by him for residential purposes, he shall have the option to choose one of such houses for the purposes of this provision.

These amendments will take effect from 1st April, 1976 and will accordingly apply in relation to the assessment year 1976-77 and subsequent years.

Sub-clauses (4) and (5) seek to amend sections 21 and 21A of the Wealth-tax Act. The amendments are consequential to the insertion of Schedule II in the Act under sub-clause (6) (b) of this clause.

Sub-clause (6) seeks—

(1) to number the existing Schedule to the Wealth-tax Act as Schedule I;

(2) to substitute a new Part for Part I of the existing Schedule; and

(3) to insert Schedule II in the Act.

Under the new Part, proposed to be substituted for Part I of the existing Schedule, the following rates of ordinary wealth-tax in the case of individuals and Hindu undivided families, not having one or more members with independent net wealth exceeding Rs. 1,00,000, have been specified: —

Slab of net wealth	Rate of tax
Upto Rs. 5,00,000 . . .	½ per cent. (as against 1 per cent. at present)
Rs. 5,00,001—Rs. 10,00,000 . .	1½ per cent. (as against 3 per cent. at present)
Rs. 10,00,001—Rs. 15,00,000 . .	2 per cent. (as against 4 per cent. at present)
Over Rs. 15,00,000 . . .	2½ per cent. (as against 8 per cent. at present)

In the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs. 1,00,000, the following rates of wealth-tax have been specified:—

Slab of net wealth	Rate of tax
Up to Rs. 5,00,000 . . .	1½ per cent. (as against 3 per cent. at present)
Rs. 5,00,001—Rs. 10,00,000 .	2 per cent. (as against 4 per cent. at present)
Over Rs. 10,00,000 . . .	2½ per cent. (as against 8 per cent. at present)

No wealth-tax will be payable both in the case of individuals as well as Hindu undivided families if their net wealth does not exceed Rs. 1,00,000. Further, the wealth-tax payable shall in no case exceed 5 per cent. of the amount by which the net wealth exceeds Rs. 1,00,000.

Further, the amendment seeks to discontinue the levy of additional wealth-tax on urban lands and buildings.

New Schedule II has to be read with new clause (xxxiv) as proposed to be inserted in section 5(1) of the Wealth-tax Act [under sub-clause (2) (e)]. The new clause provides for exemption of equity shares owned by non-resident Indians in companies engaged in the business of manufacture or production of the articles or things enumerated in new Schedule II.

The amendments proposed in sub-clause (6) will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 28 seeks to amend section 5 of the Gift-tax Act, 1958. The proposed amendment is intended to secure that the donations made to Housing Boards or other statutory authorities set up for the purposes of dealing with or satisfying the need for housing accommodation or for the purposes of planning, development or improvement of cities, towns and villages qualify for exemption from gift-tax.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 29 seeks to make certain amendments in the Companies (Profits) Surtax Act, 1964.

Sub-clause (a) seeks to amend clause (8) of section 2 of the Act relating to the definition of "statutory deduction". Under the amendment, the statutory deduction for the purposes of charge of surtax is proposed to be raised from ten per cent. to fifteen per cent. of the capital of a company as computed under the Second Schedule to the Act.

Sub-clause (b) seeks to amend rule 3 of the First Schedule to the Act. This amendment is consequential to the amendment proposed to be made by sub-clause (c) (i) (2) in the Second Schedule to the Act.

Sub-clause (c) seeks to make certain amendments in the Second Schedule to the Act. Under the first amendment proposed in sub-clause (c) (i), the investment allowance reserve required to be created under sub-section (4) of section 32A of the Income-tax Act, 1961 will be included in computing the capital of the company. The second amendment proposed in sub-clause (c) (i) seeks to omit clauses (iv) and (v) of rule 1. Under the amendment, long-term borrowings and debentures will not be included in computing the capital of a company. The amendments proposed in sub-clauses (c) (iii) and (c) (iv) are consequential to the proposed amendment for the exclusion of long-term borrowings and debentures from the capital base.

Sub-clause (c) (ii) seeks to insert a new rule 1A in the Second Schedule. The new rule seeks to secure that in a case where a company has not made any credit in any account in its books in respect of provision for taxation or proposed dividends or where the Income-tax Officer is of opinion that the amount credited in the account in respect of such provision falls short of the amount which should have been reasonably credited, the amount of the capital of the company as computed under rule 1 of the Second Schedule shall be reduced by the amount which has not been so credited or, as the case may be, the amount of such shortfall.

These amendments [except the amendment in sub-clause (c) (ii)] will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years. The amendment in sub-clause (c) (ii) will take effect retrospectively from 1st April, 1975 and will accordingly apply in relation to the assessment year 1975-76 and subsequent years.

Clause 30 seeks to insert a new sub-clause (iii) in clause (7) of section 2 of the Interest-tax Act, 1974 which defines the expression "interest". The new clause seeks to exclude from the scope of the definition, the amount of any interest accruing or arising on moneys lent for the creation of a capital asset in India where the agreement under which such moneys are lent provides for the repayment thereof during a period of not less than seven years.

The amendments proposed by this clause will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 31 read with the Second Schedule, seeks—

(a) to raise the rates of import duty on—

(i) caprolactam and dimethyl terephthalate;

(ii) artificial silk yarn and thread;

(iii) alloy and high carbon steel;

(iv) stainless steel plates, sheets and strips;

(v) copper unwrought, copper scrap and copper manufactures.

Clause 32 seeks to levy up to 30th June, 1977, auxiliary duties of customs on all imported goods at the rate of 20 per cent. of their value.

Clause 33 seeks to continue for another year the provisions of the Indian Tariff (Amendment) Act, 1949 so as to maintain the *status quo* in regard to the commitments under the General Agreement on Tariffs and Trade.

Clause 34 read with the Third Schedule, seeks to make necessary amendments in the Customs Tariff Act, 1975 subsequent on the amendments proposed to be made in the Tariff Act, 1934 through clause 31 of this Bill and the increase in export duty on groundnut and coffee effected by notification issued on 12th February, 1976 under section 4A of the second mentioned Act.

Clause 35 read with the Fourth Schedule, seeks—

(a) to raise the rate of basic excise duty on—

(1) Cigars and Cheroots

(2) Motor spirit

(3) Refined Diesel Oil

(4) Furnace oil

(5) Asphalt and Bitumen

(6) Blended or compounded lubricants

(7) Petroleum waxes

(8) Petroleum products (other than mineral turpentine oil, L.P.G. and petroleum waxes) falling under Item 11A

(9) Patent or Proprietary medicines;

(b) to exclude mineral fibres and yarn from the category of synthetic fibres and yarn falling under Item No. 18;

(c) to amend the tariff description of item Nos. 19, 22, 22B and 22C to specifically mention laminated fabrics in those tariff items;

(d) to exclude glass fabrics from the scope of rayon or artsilk fabrics;

(e) to change the tariff description of the existing item 33A relating to wireless receiving sets and combination sets and to raise the basic excise duty in respect of radios, radiograms and certain combination sets;

(f) to change the tariff description of item relating to office machines to exclude computers, central processing units and peripheral devices;

(g) to change the tariff description of Item No. 35 relating to cycles and cycle parts, to exclude cycles from its scope

(h) to omit tariff item No. 45 relating to safety razor stainless steel blades;

(i) to change the tariff description of and to specify specific and *ad valorem* rates of excise duty for (i) different categories of aerated waters and (ii) different categories of cement;

(j) to change the tariff description and to prescribe *ad valorem* rates of excise duty, as against the present specific rates, on different categories of paper and paper boards;

(k) to change the tariff description and to modify the basis of assessment, for certain categories of cotton fabrics, from specific to *ad valorem*;

(l) to include new items in the central excise tariff for—

(i) starch (including modified starch)

(ii) computers (including central processing units and peripheral devices)

(iii) mineral fibres and yarn and manufactures therefrom.

Clause 36 seeks to levy up to 30th June, 1977 auxiliary duties of excise on all excisable goods at the rate of 20 per cent. of their value.

Clause 37 read with the Fifth Schedule seeks to amend the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957 to,—

(i) levy additional duties of excise on certain categories of cotton fabrics on *ad valorem* basis as against the existing specific rates;

(ii) amend the description and levy additional excise duty on cigars and cheroots on *ad valorem* basis; and

(iii) amend the description of cotton fabrics and artsilk fabrics to specifically mention laminated fabrics.

Clause 38 like section 36 of the Finance Act, 1975 provides that salt shall be duty free for another year.

Clause 39 seeks to amend the Medicinal and Toilet Preparations (Excise Duties) Act, 1955. The amendment proposed through sub-clause (a) is consequential to the amendment proposed through sub-clause (b) which seeks to insert the definitions of the terms 'coca derivative', 'coca leaf' and 'derivative of opium' and also substitute the definitions of 'Indian hemp' and 'narcotic drug' or 'narcotic'. Sub-clause (c) read with the Sixth Schedule seeks to amend the Schedule to the Act so as to raise the rates of excise duties on medicinal and toilet preparations containing alcohol, narcotic drug or narcotic.

Clause 40 seeks to increase the rates of stamp duty on letters of credit, proxies and receipts with effect from 1st June, 1976.

Clause 41 seeks to insert a new section 43A in the Life Insurance Corporation Act, 1956. The new section seeks to secure that no deduction of tax will be made at source under section 193 or section 194 of the Income-tax Act, 1961, in respect of any interest or dividend payable to the Corporation on any securities or shares owned by it or in which it has full beneficial interest.

This amendment will take effect from 1st June, 1976.

Clause 42 seeks to substitute sub-clause (ii) of clause (b) of sub-section (1) of section 32 of the Unit Trust of India Act, 1963. The proposed amendment seeks to provide that no deduction shall be allowed under clause (b) of sub-section (1) of the said section in the case of a Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year exceeds the maximum amount not chargeable to tax.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 43 seeks to make certain amendments in the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974.

Sub-clause (a) seeks to amend sub-section (1) of section 3 of the Act. The amendment seeks to extend the requirement of making compulsory deposits for the assessment year 1977-78 as well.

Sub-clause (b) seeks to amend sub-section (1) of section 4 of the Act. The amendment seeks to secure that, in relation to the assessment year 1977-78, compulsory deposits will be made at the rates specified in Paragraph B of the Schedule.

Sub-clause (c) (i) seeks to make the portion of the Schedule containing the rates of compulsory deposit for the assessment years 1975-76 and 1976-77 as Paragraph A of the Schedule.

Sub-clause (c) (ii) seeks to substitute the existing provisos to the Schedule by a new Paragraph B and a proviso with suitable modifications. The new Paragraph B lays down the rates at which compulsory deposits are required to be made in relation to the assessment year 1977-78.

These amendments will take effect from 1st April, 1976.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2(8) of the Bill empowers the Central Government to frame, by notification in the Official Gazette, a scheme to enable companies to make, in lieu of payment of surcharge on income-tax, deposits with the Industrial Development Bank of India. The scheme will contain details as to the manner of making such deposits, the periods for which such deposits may be made and other connected matters.

Clause 8 of the Bill seeks to insert a new section 32A in the Income-tax Act. The new section provides for a deduction by way of investment allowance in respect of ships, aircraft, machinery or plant acquired or installed by an assessee after the 31st March, 1976. Sub-section (4) (i) of the new section empowers the Central Board of Direct Taxes to prescribe the particulars which should be furnished by an assessee in respect of such ships, aircraft, machinery or plant for being entitled to the deduction. These particulars will relate to matters of detail such as description of the ship, aircraft, machinery or plant, the date of acquisition or installation thereof, the cost thereof, etc.

Clause 10 of the Bill seeks, *inter alia*, to insert a new section 44C in the Income-tax Act. The new section provides for a ceiling limit in respect of deduction to be allowed on account of expenditure in the nature of head office expenditure in computing the profits and gains of a non-resident. Clause (iv) of the *Explanation* to the new section which defines the expression "head office expenditure" empowers the Central Board of Direct Taxes to prescribe by rules the items of expenditure which may be deemed to be head office expenditure. The clause enumerates expressly, as far as practicable, all the items of head office expenditure. The power to specify other items of head office expenditure is being taken only by way of abundant caution to cover items of such expenditure which cannot be easily visualised now.

Clause 27(2) (e) of the Bill seeks to insert a new clause (xxxiv) in section 5 of the Wealth-tax Act to provide for wealth-tax exemption in the case of non-resident Indians in respect of the value of equity shares owned by them in companies engaged in the business of manufacture or production of the articles or things specified in the proposed Schedule II to the Wealth-tax Act or in companies which are certified by the prescribed authority to have undertaken the export of a specified percentage of the total production. The concession is available in respect of initial issue of equity capital as well as a fresh issue of capital by an existing company where such issue of capital is certified by the prescribed authority to have been made for the purposes of expansion or diversification of the industrial undertaking of the company. The new clause thus empowers the Central Board of Direct Taxes to prescribe the authorities for the aforementioned purposes.

Sub-clause (b) of clause 39 of the Bill seeks to amend section 2 of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955. Item (i) of this sub-clause seeks to insert a new definition of "coca leaf" in the Act whilst item (iv) of the sub-clause seeks to substitute a new definition for the definition of "narcotic drug" or "narcotic". The new definition of "coca leaf" specifies certain species of coca plant and empowers the Central Government to declare by notification in the Official Gazette any other species of the same genus to be coca plant for the purposes of the Act. This power is necessary to cover new species which may come to light. The new definition of "narcotic drug" or "narcotic" specifies expressly various substances which shall be deemed to be "narcotic drug" or "narcotic" and empowers the Central Government to declare other substances capable of causing or producing in human beings dependence, tolerance and withdrawal syndromes, to be "narcotic drug" or "narcotic". This power is necessary for covering new substances.

The delegation of legislative power under the aforementioned provisions relates to matters of procedure or administrative detail or to matters in respect of which it is not practicable to make detailed provisions. Hence, the delegation of legislative power is of a normal character.

S. L. SHAKDHER,
Secretary-General.

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